

NATION'S BUSINESS

MAY 20 1932



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Chairman McDuffie
of the House
Economy Committee
Tells How the
Government Can
Save \$600,000,000

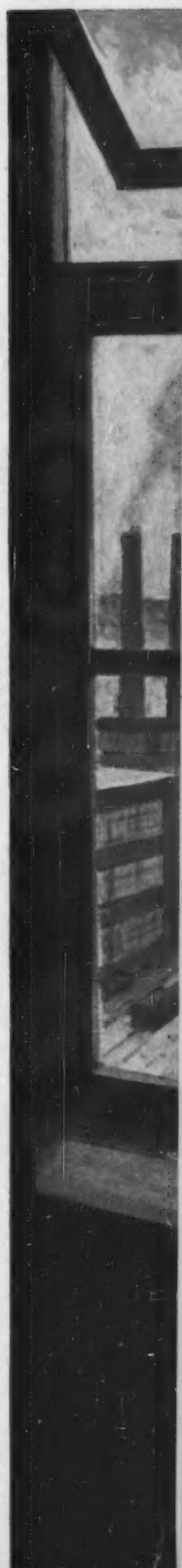
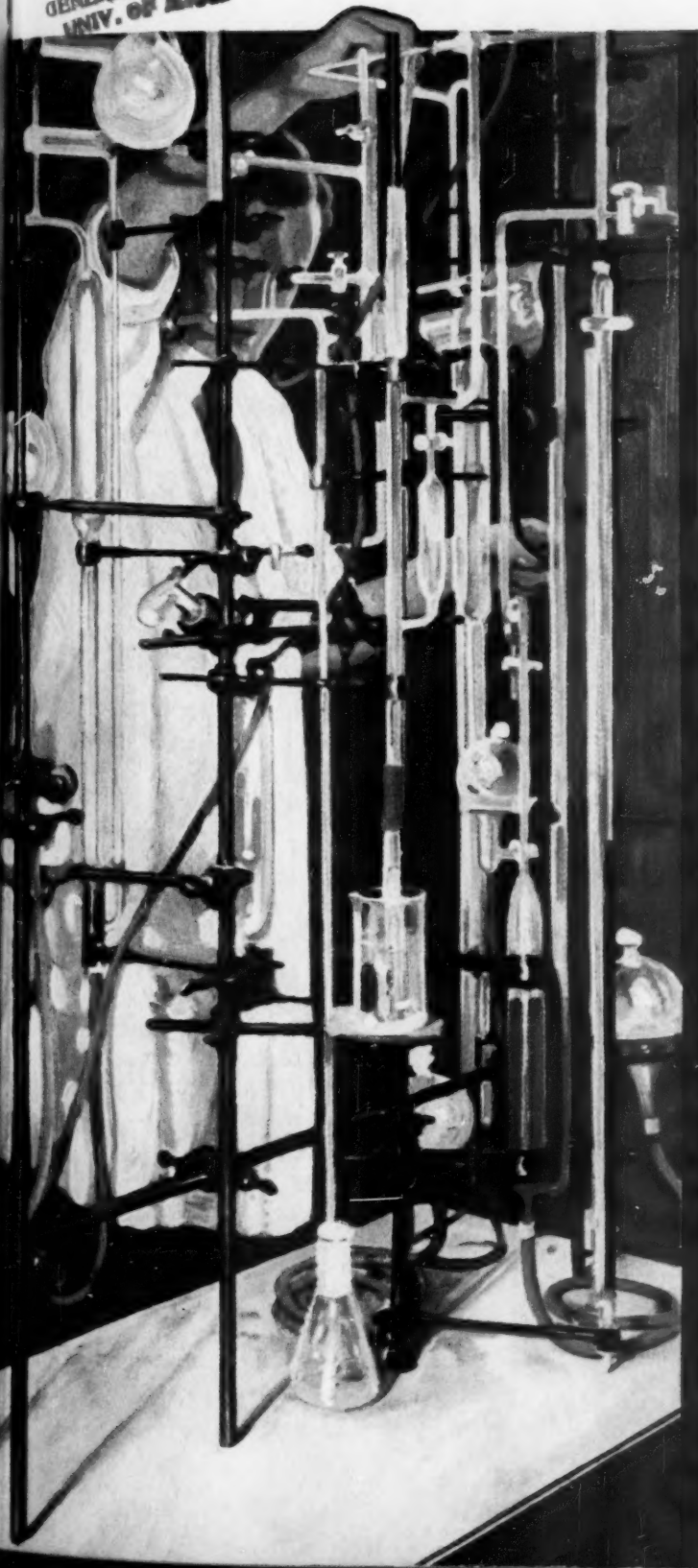
Ten Governors Discuss
State Finances

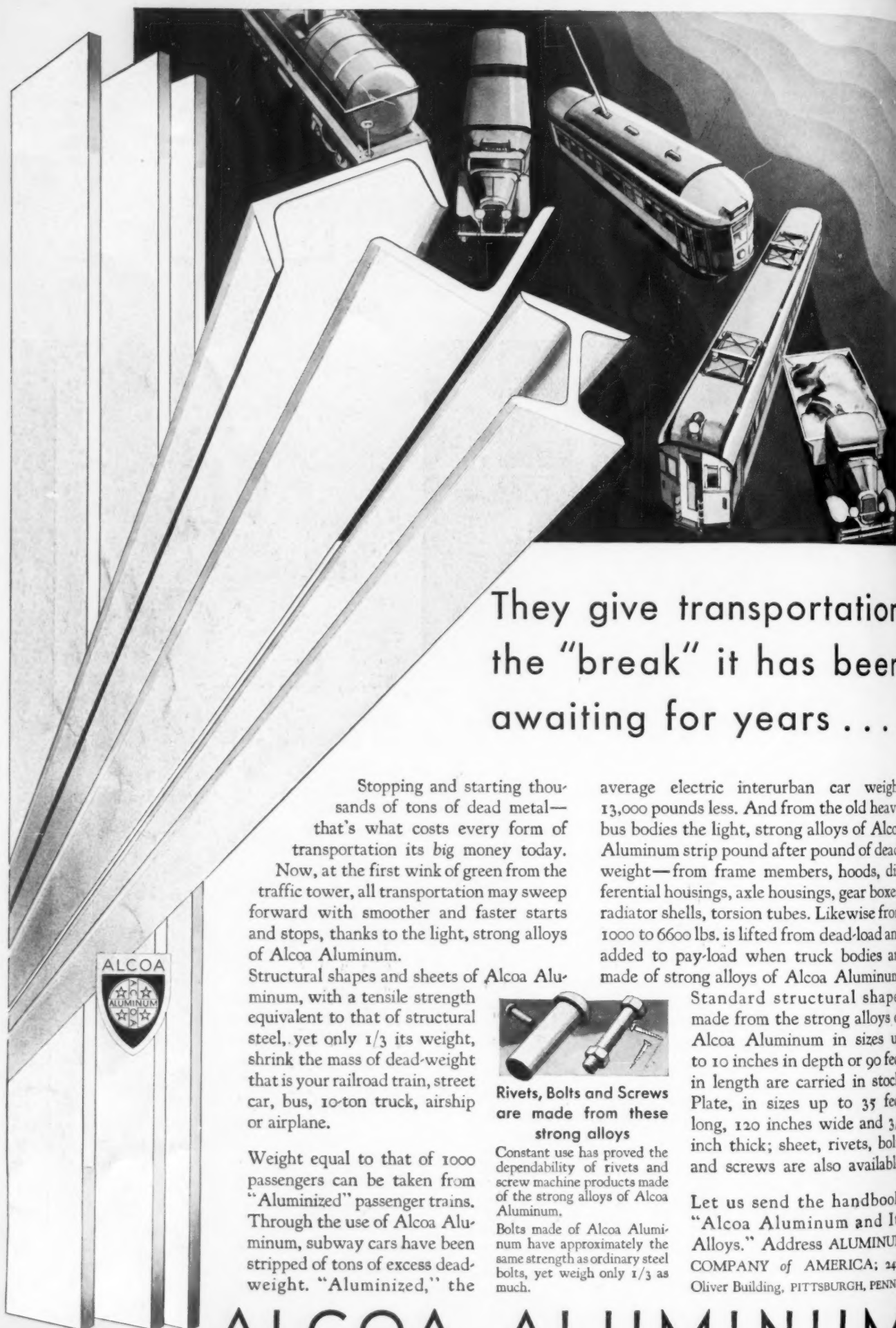
ARTICLES BY

Louis Ludlow
T. R. Adam
Willard M. Kiplinger



PUBLISHED BY THE
U. S. CHAMBER OF COMMERCE
MERLE THORPE, Editor





They give transportation the "break" it has been awaiting for years

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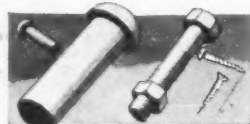
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NATION'S BUSINESS for June

VOLUME 20

NUMBER 6

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\$600,000,000

As chairman of the House Special Economy Committee, Representative John McDuffie, of Alabama, has examined government activities and spending. He believes a tremendous saving is possible almost entirely without wage or personnel reduction. This saving can be made by eliminating duplication, and improving efficiency. He tells you, on page 17, exactly where, in his opinion, this saving can be made, what activities may be combined or eliminated altogether with attendant improvement of service and saving of tax money.

Paternalism

"If someone else spends your money, your own spending power suffers accordingly. If that someone else is the Government the whole economy of private production and distribution is upset." T. R. Adam, who makes this statement, bases his opinion on his observations as a member of the Development and Migration Commission in Australia. In his article, beginning on page 26, Mr. Adam describes Australia's efforts at government operation of essential functions and the disasters that resulted from the tremendous waste these experiments produced.

Australia has seen her mistake but apparently the United States has not because Representative Louis Ludlow, of Indiana, in an article beginning on page 29, demonstrates how far this country has

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gone along the road which led Australia to the brink of ruin and urges all taxpayers to take heed before it is too late.

State Finance

Has your state reduced its expenditures to fit the reduced incomes of its citizens? If it has not, it is behind the times because other states have proved that local spending can be reduced. In special letters to NATION'S BUSINESS, several governors have explained how their states are balancing their budgets. The statements begin on page 33.

Customers

Herbert Corey admits that no store will fail just because it loses his patronage. Otherwise several stores would be out of business. Mr. Corey has promised himself never to patronize certain merchants again. His grievances are listed beginning on page 46.

Inflation

We hear a great deal today about inflation and the need for it or the danger of it.

This argument is probably new to the present generation but it is old stuff to our elders. Forty years ago a similar debate was going on.

The subject then was free coinage of silver but the arguments used for and against were so apt as applied to the present situation that we are reproducing some of them. The quotations used are from the two best books of the time dealing with the silver question.

MERLE THORPE, Editor and Publisher

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—says the famous
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"Alexander the Great" is, as Bob Davis says, "the Wizard of Golf Instruction." His instruction brought Babe Ruth down into the 70's—enabled Doug Fairbanks to shoot 72 (on a par 71 course) in Los Angeles—helped big-framed Rex Beach shoot 154 for 36 holes in tournament play, and slender Clarence Budington Kelland get into the 70's. He has taught Jack Dempsey, the slight Charles Chaplin and the bulky Paul Whiteman, Grantland Rice, Rube Goldberg, Paula Stone, Annette Kellermann, and scores of others. Whatever golf lessons he chose to give were given at a charge of \$200 for 12 lessons.

He is on the staff of The American Golfer, has written for Ladies' Home Journal, American Magazine, Popular Science, and others. He has given lectures and exhibitions all over this country and Canada. Although this left him little time for tournament play, Alex has demonstrated that he can play the game with the best of them. In addition to defeating several of the leading players he has set many course records. Recently he tied the course record at Winged Foot (the scene of the 1930 American Open) with a 69. He and his brother Fred—winner of the winter season's biggest purse at Agua Caliente—recently beat Olin Dutra and Roland McKenzie.

For Those Bewildered by a "Plague of Don'ts"

Alex Morrison has just gotten out a book which clearly describes and pictures his simple way of learning the correct swing. There need be no question in your mind about being able to learn through a book like this one. It is sold not on promise but on performance—on a definite guarantee that it will improve your game, or cost you nothing.

If you know Alex Morrison, you know that he is the arch enemy of GOLF DON'TS! His last fifteen years have been spent to help the man so typical of thousands of golfers: the man who stands grimly before his ball "concentrating," with his knuckles white with tension, and the cords in his neck swelling with strain. Alex Morrison is out to help the fellow who really gets too little amusement, satisfaction and benefit from the game—who merely exchanges business worries for golf worries—who is in a constant panic about doing the wrong thing.

The Secret of the Correct Swing

If you are "stymied" by your apparent inability to apply seemingly simple principles, if the usual advisory jargon and generalities haven't gotten you anywhere, if you realize that mere intense concentration, will-power, and practice alone is not the real answer—then you will be interested in how Alex Morrison can change your whole viewpoint. In his book, "A New Way to Better Golf."

DON'T LOOK UP!
DON'T HURRY BACKSWING!
DON'T PULL IN!
DON'T DROP LEFT SHOULDER!
BE SURE TO PIVOT!
DON'T OVERSWING
KEEP LEFT ARM STRAIGHT!



ALEX MORRISON

GRANTLAND RICE, Editor of The American Golfer says, "Alex Morrison has been working for years on simplifying and developing a clear picture of what is needed to play better golf. He is something more than a fine teacher of golf. He is also one of the few who have made a close study of breaking up tension, which is the curse of every game played."

REX BEACH says, "Morrison knows more about his business than I will ever know about mine. He has taken the golf swing apart and examined it, oiled up loose parts, re-assembled them and put the whole thing into smooth running order. To watch him execute a shot is to realize that he has mastered the elusive principles of the golf stroke to a nicety which makes the swing of most experts look crude. You will find here the soundest, the simplest, the most sensible help you have ever found."

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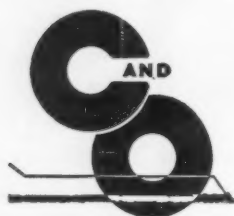
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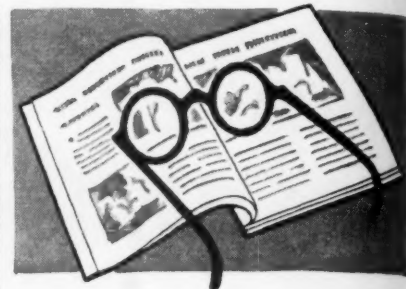
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2:10 PM " Indianapolis	" 10:40 AM
1:00 " " Louisville (C & O Ry)	" 10:59 "
5:45 " " Cincinnati	(EST) " 8:45 "
8:30 AM Ar. Washington	Lv. 6:01 PM

WESTWARD (Read up)



Through the EDITOR'S SPECS

THE burden of the editor's mail this month, as usual, is a cry for leadership. A wail that without leadership we shall sink. It is something of a paradox that a country which prides itself on its democracy should hanker so eagerly after supermen. Aren't we rather sentimental in our quest for leadership? Sentimental, because it is a troublesome fact that blind followership is lacking where we have such an assertive individualism. And we are never quite able to get out of our minds the practical realism that "the supermen have not yet been born."

THE COMPLAINT is played on two strings. The first is a yearning for political leadership, for political supermen. But it would take a superman right now in political life who would fix his attention on this emergency rather than on the coming election. It would take a superman to propose definite measures which he judges to be right. Our political leader, being human, would rather wait to see what seems expedient.

The second string is more like a bagpipe. Its shrill pibroch call is for "business leadership." We describe all the wastes in our economic system and demand a Moses to correct the "hodge-podge" amid which we live—too much poverty amid too much wealth, too much machinery, too little freedom, too much individualism, too much of this and too little of that.

But it would take a super-superman as a business leader to formulate a plan, much less to carry the banner which would press 120 millions of people into an economic mold. It is well to remember that the American people, throughout their entire history, have always shown a marked preference for economic "chaos," high though its price might be. And, like little children, we forget easily, forget that our course has been

CHESAPEAKE and OHIO

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ADVICE TO MEN

who are discouraged

with present conditions

BUSINESS today is new and complex. There is a new sales strategy, new production methods, a new export situation, new methods of determining security prices, a wave toward bigger consolidations, a new banking and real estate situation—in short, an entirely new era of business.

The old rules no longer work. This is a sober fact: from now on you must know the new rules if you want to make progress.

Some men are acquainting themselves with new business methods by actually taking time off to attend University Schools of Business. Others, in increasing numbers, are enrolling for the NEW Service offered by the Alexander Hamilton Institute.

Just where you acquire your knowledge of this new business strategy doesn't matter. The important thing is to *get that knowledge somehow*—not next week—not next year—but NOW.

This Booklet tells about the Exceptional Income Opportunities in the next 5 years

THE Alexander Hamilton Institute has published an interesting 44-page booklet. This booklet points out the exceptional income opportunities for exceptional men which will occur in the next 5 years. It also announces an unusual Service, available to you *in your own office or home*, which enables you to prepare yourself to take advantage of these rich opportunities.

The ablest business minds—the men who have had most to do in shaping present-day tendencies—have contributed greatly to this new Service. Read the names of a few of them: Alfred P. Sloan, Jr.,

President, General Motors Corporation; Bruce Barton; Dr. Julius Klein, *The Assistant Secretary*, U. S. Department of Commerce, and H. T. Parson, *President*, F. W. Woolworth Company.

Men who are satisfied with departmental jobs and small earnings will not be interested in this type of Service. It is offered to the

kind of men who want to become officers of their companies or go into business for themselves.

The booklet, "What an Executive Should Know," is well worth half an hour of your time. Many men have said that in 30 minutes it gave them a clearer picture of their business future than they ever had before. Send for it today.

To the ALEXANDER HAMILTON INSTITUTE, 641 Astor Place, New York City.
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amazingly forward and upward, at once the envy and despair of an elder world.

BUT is business leadership really lacking? Perhaps we have confused the leadership of democracy with the leadership of autocracy. In democracy should we not expect leadership at the grass roots and the cross roads?

As we review the course of other depressions, we are impressed by the fact that the causes which led to our inevitable recovery are not apparent. Whatever they were, they were unheralded. Perhaps there is a reason for this. Perhaps it is because—and I am inclined to believe this to be true—the leadership for which we are vainly seeking is to be found in the millions of individual activities which make up our national life. No great leader led us out of former slumps. Nor is it fair to say, as one historian puts it, that we “just muddled through.” Far from the headlines there were spiritual forces at work—and they are at work today.

IF I were to write a prescription for a man flat on his back with pessimism I would write very quickly for him to take a trip to any section of the country—skip the big centers, go to the small cities and the towns and observe the leaven at work. I recently made such a trip. I went up the Fox River Valley district of Wisconsin, extending from Fond du Lac to Green Bay, where there is a concentration of population and industries within a restricted area, possibly 300,000 in the five counties.

In this district nearly 200,000 cows are producing their billion pounds of milk a year, providing raw material for 250 cheese factories, 40 creameries, ten condenseries, and 100 receiving stations. In Oshkosh, Green Bay, Fond du Lac and Appleton there are in the neighborhood of 300 industrial plants providing normal employment to 17,000 employees, paying wages of 17 millions of dollars, manufacturing products valued at 90 millions of dollars. At Neenah-Menasha, the “twin cities” of the district, there are 15 major plants which in normal times have a rail tonnage of about 300,000 per year.

At Green Bay they make such things as power shovels, cranes, derricks, drag lines, paper mill machinery, furniture, both iron and wood, canned meats and vegetables, and paper. In Fond du Lac are to be found a leather company and three manufactories of refrigerators, in addition to five lumber manufactories and others making typewriters, high

class iron furniture, candy, caskets, steel and condensed milk. Products go out of Fond du Lac each year to the extent of 400,000 tons. And at Oshkosh I found men making sashes and doors, and metal and textile commodities.

SUCH a section represents the real America at work. By this I do not mean that more men are employed, more goods are being turned out, than in the banner year of 1929. I mean that men's minds are employed, that the leaders of these industries, many of which are not listed on the Stock Exchange, are calmly planning for their particular interests—applying to the individual units of our national economy what so many have advocated should be applied from the top down.

THE Fox River district is typical of a thousand sections of our American industrial and business life. As in these sturdy cities of Wisconsin, there are thousands of leaders who have not lost their courage nor their faith. They give ear to a discussion of our economic machinery, but they do not advocate scrapping the entire apparatus simply because of a temporary breakdown.

Possibly it is true that the pattern of prosperity is made by the big money makers and the big money spenders. Yet it is just as demonstrable that the basic fiber of the country is best revealed in a slump.

IS WHAT I have just written simply theory and a misguided idealism? As I pondered the question the Circulation Manager of NATION'S BUSINESS stuck his head in the door to say:

"Yesterday was the biggest day we have had in two years. \$4,200 in new subscription money—from all sections of the country. It looks like a big week!"

No, at the grass roots and the cross roads, America is at work. Millions of Americans are convinced that for most of the things that really matter in this life, the progress of today lies in the work of today. To them, America is still the mail address of Opportunity.

WHEN a legislator boasts that he has devised a tax which is "painless" he gets no applause from me. One of our difficulties today is that we have had too many invisible taxes. What we need is a "painful" tax, one that will shock us into an investigation as to what the tax money is spent for.

M.T.

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■ ■ ■

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NATION'S BUSINESS



A MAGAZINE FOR BUSINESS MEN



The Faith of Springtime

THE WINTER is past, the rain is over and gone; the flowers appear in the earth; the time of the singing of birds is come . . .

So runs the Song of Solomon. And the wisdom of an observer today might well grow in stature as he contemplates the dependable alchemy of nature. The Faith that rides with every farmer on planter and cultivator might well be invited to ride in other fields of enterprise.

Springtime has its own special broadcast. Man and nature join hands in the perennial conspiracy to make over a colorless world. Every blossom on every bush heralds better times. The leaves put forth by trees reveal a confidence that the sun will shine again.

Man, as the chief beneficiary of this exquisite object lesson in the keeping of faith, bestirs himself. Grass growing becomes a lively subject for family debate. Seed catalogs circulate throughout whole neighborhoods. Books on gardening attain the volume of best sellers. The sound of the lawn-mower provides a suburban matin. The hammer and the saw are again vocal in the chorus of worldly rejuvenation. The paint brush, as of old, works its wonders of transformation.

Schools and colleges again certify that shoals of young hopefuls have been put through an accredited course of sprouts. The affinity of roses and brides is happily re-demonstrated. "Babe" Ruth begins his seasonal compilation of home runs, and the "greatest show on earth" is positive that it is "bigger and better than ever." Fishing tackle dealers resume trading in "futures," and boat builders refuse to sell water short.

Everywhere the negation of defeatism is visible and audible. Amos 'n' Andy are still in the taxicab business. The moving van company is too busy to get around until next week, and a place to park is as hard to find as ever. Workmen ride to the job in their own motor cars, and traffic jams lack nothing in intensity. You must call the golf club for a starting time on Saturday afternoons. Getting "two on the center aisle" for a Broadway or Hollywood hit is the miracle it always has been. And hat check girls still frown at a dime for watching a visiting fedora or derby.

The only way to understand the heart of America is to see America. Whatever the vehicle

and the direction, the traveler soon discovers a heartening quality of straight thinking. A nourishing sense of common responsibility is palpably present. Communities are closer knit in the bonds of fellow feeling, likewise the family. Pretense and posturing are petering out. Paper valuations of worth have melted with the snows of winter.

Rigorous times have brought profound revisions. And none more significant than the shift of the callus from the spinal terminal to the palm. It is a salutary thing for a nation to be forced to justify its way of life, to come to grips with the fundamental business of making a living. Going concerns are now kept going only because they have been stripped down to the essentials. Fatty degeneration is not the peril to management it recently was.

Whatever the hue of our patriotism, the realities and the potentialities of this land need no slogans or sunshine oratory to plead their case. Fundamental values are best revealed in the darkest hours. When the late J. P. Morgan said that anyone who was bearish on the United States would go broke, he meant his judgment to apply in 1932 and not in 1928 and 1929. If anyone really felt that business is going to continue at 60 per cent of its prosperous volume, then he must believe that the people of the United States have made up their minds to get along with 60 per cent of the conveniences and pleasures and "extras" they have come to regard as commonplace.

Anyone in his right mind knows such a conclusion is preposterous, for it marks down our standard of living by 40 per cent, it nullifies the enterprising spirit of the pioneer, and checks our national progress with an unthinkable flabbiness of will. But it shall not be. Our nation began in the declarative mood, and it will not be cowed into collapse by defeatists and pessimists.

It is man's weakness that plenty makes him prodigal; it is his strength that adversity makes him provident. Springtime is a symbol and an opportunity. The immemorial test of the sowing is in the reaping, for beyond the fragrance and the flowering there unfolds the inviting prospect of the certain harvest.

Merce Thompson

Your hunt for a fuse in the dark ...now ended by Westinghouse



HIGHLIGHTS ON WESTINGHOUSE AND ITS PLACE IN GIANT MARKETS

Lights out! Another fuse blown! You grope your way to the basement, feel around, perhaps by the light of a flickering candle, experiment to find the right socket . . . and frequently end up by discovering that there isn't a usable fuse in the house.

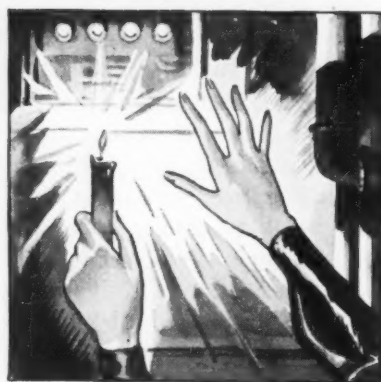
That's the old side of the story. But today there's a new side. Westinghouse now makes available to homes a small circuit-breaker that renders fuses unnecessary.

The Nofuze Load Center takes

the place of the old familiar fuse box. It is easily installed

at the center of the electrical load, usually in the kitchen. When a circuit goes out, a mere flip of the handle restores service immediately. No fumbling with fuses! No temptation to endanger wiring by putting in pennies or paper clips when fuses can't be found. And it's as safe as pressing a wall switch.

With heavy duty electrical appliances multiplying rapidly, the idea of



designing the wiring system around the "load center"

has been eagerly welcomed. It is revolutionizing home circuit protection . . . which means the rapid enlargement of a market for Westinghouse Nofuze equipment. Through creative engineering of this type, Westinghouse continuously develops markets for electrical equipment of all kinds used by homes, stores, offices, farms, factories, transportation companies and power organizations.

WESTINGHOUSE ELECTRIC
& MANUFACTURING COMPANY

EAST PITTSBURGH, PA.





NATION'S BUSINESS

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As the Business World Wags

THUS WE MAY SEE, QUOTH HE,
HOW THE WORLD WAGS—*As You Like It.*

Uncertainty In Business



TO BUSINESS the delay by Congress in passing a tax bill, in putting through the best possible program of economy, is disheartening.

It seems to the casual reader of newspapers that no sooner is one plan of taxation adopted than it is knocked out and another proposed. An appropriation is killed or cut down only to be restored or added to.

Industry cannot go aggressively ahead until it knows with certainty how much and upon what it is to be taxed. "It is impossible," said a caller while the sales tax was before the House, "for us to make a contract until we know whether a sales tax is to be passed and can decide just what will constitute a sale."

What business would like from Congress would be the passage after reasonable consideration of a tax bill which should be fair and make a long step toward a balanced budget plus such measures of economy as would help to lighten the burden of taxation and set an example to the states and cities.

Buying Is Out of Balance



NOT long ago most men and most women were eager and ready to lead the procession of buyers; were proud of new things; took pleasure in possession. The man who appeared with a new and well-made suit looked about for a few words of praise. When the man in the next office said, "That's a good looking new suit you've got, Joe," he beamed his satisfaction. He liked his neighbors to know that his automobile was the last word in sixes or eights or stream lines. He didn't hesitate to take the caller into the kitchen that he might see how many cubes of ice the new refrigerator would make.

Now he has become ashamed of buying. Any comment on his new suit leads him to apologize:

"Well, I had to come to it. The only whole suit I had was so shiny a fly couldn't get a foothold on it."

He tells of how he hasn't bought a new lawn mower

and points proudly to resoled shoes. A dozen years ago he paraded in overalls as a protest against high prices. Now he's afraid to parade in a new suit as a protest against low prices.

Once he "kept up with the Joneses," by buying something he could ill afford. Now he keeps down with the Joneses by not buying something he can well afford.

Here's a challenge to American selling ability. Can it, by well-aimed advertising, by intelligent radio talks, by direct appeal, change a state of fear into one of courage? Grant that five years ago many of us went too far in gratifying the desire to own, that many lost the balance between spending and saving, must those who now need and can still afford, crawl into a cave and bury their dollars underground?

Trade Notes— 20 Years Ago?



FROM scattered sources, including the *New York Times* and *Wallaces' Farmer*, we gather these items of news:

The Independent Artists would like to exchange paintings for rent, dentistry and doctors' services.

Horse prices have fallen less than other farm products and the demand is good.

Manufacturers of horse collars report good business. Manufacturers of glass jars for home preserving report good business.

Is the world moving forward or backward?

Workers Are Not in Despair



WHITING WILLIAMS, who studies the worker, employed and unemployed, by sitting down and talking to him, says that the unemployed worker is not in a state of despair. He is hard hit. He's uncertain of the future, but he's not convinced that the future will see him in a state of peonage or that he'll have to content himself with a lower standard of living.

The automobile has so woven itself into his scheme of living that he doesn't feel that he is going to do with-

out one forever. He may not be able to run his car now, he may have sold it, but some day he's going to have it back in use.

Mr. Williams tells of one worker with whom he talked on this subject:

"I just had to give up the car," said the man. "It was all in anyway, but when I told the wife what I had to do I pretty near lost her. She wasn't going to live with a man who didn't have a car."

"How badly did you come out when you had to sell the car?" asked Mr. Williams.

"Oh, not so bad. I paid \$25 for it*, ran it three years and sold it for \$12."

*(As the advertisements say, name of car on application.)

Making Prices To Order



THE House of Representatives the other day passed the Goldsborough Bill which declared it to be "the policy of the United States that the average purchasing power of the dollar . . . for the period covering the years 1921 to 1929 inclusive shall be restored and maintained by the control of the volume of credit and currency." Then the bill directs the Federal Reserve Board, the Federal Reserve Banks and the Secretary of the Treasury to go ahead and fix it.

The bill appears to give the Federal Reserve Board and Banks no new powers they have not now and it might be assumed that the Board is as eager as the Congress to see commodity prices move up and is doing its best to produce that result by increasing the credit facilities of the country. The immediate result of the passage of the bill was to give the dollar in the European exchanges a slight sinking feeling and to make more likely some gold shipments from the United States. Europe is very sensitive to anything that affects American currency.

The bill takes the Department of Labor as its standard and that authority with 1926 equal to 100 tells us that prices for February 1932 were 66.3. On the commodity price line of Professors Warren and Pearson of Cornell, we have to go back to 1869 to find a period when prices were as high as they were from 1916, the beginning of the war time rise, to 1929 the beginning of the sharp decline, which we are now experiencing. If the Federal Reserve Board can keep prices at the '21-'29 level they will be high.

Subsidies To End Depression



GREAT efforts have been made toward credit expansion but there seems to be a difference between expanding the means of credit and expanding the use of credit. The credit watering trough may be full and the borrowing horse led up to it, but still he declines to drink. The banks complain that business won't borrow and business complains that banks won't lend.

Malcolm C. Rorty, who was once chief of the statistical force of the American Telephone & Telegraph, and who was later vice president of the International Telephone & Telegraph, has a plan to help us out of the

depression. It is based on the premise that any use of public funds which does not stimulate private borrowing and spending for wages and materials is futile.

He would go at the matter, not by increasing public works, but by directly subsidizing private works or public works, such as toll tunnels, toll bridges, or toll roads, around cities which might be or become self-supporting.

Mr. Rorty doesn't hesitate to use the word "subsidy" a term at which business is likely to shy. He proposes direct payment to business-restoring enterprises and would not even disguise them in the form of long-term low interest loans.

The Cost of Keeping Going



CLAMOR against price-cutting, against selling below cost, goes on. But price-cutting continues and goods are still sold below cost.

Why continue a course which seems so contrary to common sense? Here's the answer as one business man gives it.

A year or two ago his plant installed new machinery at a cost of something like a million dollars. The new machines displaced some 80 men.

Now the company feels that it just can't afford not to run the machines. The interest on the money which they cost must be paid. The rent for the space they occupy must be paid. Depreciation and obsolescence go on when they stand still. It seems to the company that it can't afford to have them stand idle. The result is that the company is urging its product on the market almost regardless of cost and is forcing its competitors to meet damaging price cuts.

Who benefits? The users of its products? A little perhaps, though those users find it difficult to dispose in turn of their output.

Machinery and the resulting overhead may become a Frankenstein's monster that must be fed and kept alive even if it returns its owner no profit.

Little Men Grow Larger



THERE is great concern these days for "the forgotten man," for "the little man." That concern we share, but we are never quite sure who is the "little man."

Business moves on and up, and with growing momentum there are thousands of men at work in the great plants of Henry Ford. All the way from Mr. Ford himself with a great income, earned by great ability in developing a great idea, down to the \$5 a day man. In between are men whose salaries are in six figures, five figures, four figures. At what point by that measure does the "little man" appear?

Not many years ago, Mr. Ford himself was a "little man," a very little man if we measured his income and nature of his work.

It must be true, and it must remain true, that the small business of today is the big business of tomorrow. In the manufacturing of electrical equipment General Electric does a large share of the business. A generation ago General Electric was Gray and Bar-

ton, running a small shop. There are in that field hundreds of small concerns, some successful and growing rapidly. Any one of them may in ten or 20 years from now rival General Electric and Westinghouse.

Men who are awed by bigness will tell you that there's no chance for anyone in the automotive field save the great producer like Ford, General Motors, Chrysler and Studebaker. Yet, Auburn has shot into prominence and some name which we have not yet heard may make a car that will have thousands of us turning in the old one.

"Look at the chain store," says a timid soul. "There's no chance for a man in retailing." Yet J. C. Penney and W. T. Grant are still alive.

Somewhere back of a counter in Iowa or Idaho is a "little man" now who before he is 50 will have a chain of 500 stores.

Who knows what the future of freight transportation by truck may be. Somewhere is a man running a dozen or fifteen trucks who has the right kind of organizing mind, and who, before you and I are dead, will develop a trucking system so big that it will buy out truck factories to control its supply of rolling stock.

Let's not be too much upset about the "little man."

Saying It With a Punch



SECRETARY of the Treasury Mills did not approve the Patman Bill to pay up the bonus certificate with two billion dollars of greenbacks. He told the Ways and Means Committee of the House of Representatives what he thought the other day and began his statement with this:

"The measure now before you is designed to pay an obligation not due, in money that is not honest."

Which is nominated as a candidate for any medal to be awarded for the best epigram of 1932.

Packers Must Stick to Packing



THE packers in the hectic years just after the war signed an agreement with the Federal Government that they wouldn't do certain things. They would not retail meat, or sell milk or cream or deal in food products not related to the meat industry. In short, they agreed to stick closely to their original business of preparing meat and meat products for the market and handing them to retailers.

A decade later the packers wished they hadn't so hastily signed away what they considered their rights to engage in any sort of business they might think would be profitable and they asked the Supreme Court of the United States to let them out of what they deemed a bad bargain.

The Supreme Court, Justice Cardozo writing the prevailing opinion, said "no." The packers he declared had, with their eyes open, renounced the grocery business after having been accused of cutting prices to kill competitors and they must stick to their bargain. The argument that the growth of chain stores had so altered the economics of food distribution that the dangers of

monopoly were eliminated, found no favor with the majority of the court.

Business may well regret and resent restraints on engaging in new ventures, in trying new ways of bringing its products to the consumer but the continuance of the consent decree may not be an unmixed evil. The history of direct distribution by manufacturers of their products through their own retail outlets is not one of unmixed success.

Ability to make isn't always ability to sell. Nor does ability to sell in one way imply ability to sell in another. Time and again department stores have cast envious eyes on the mail-order business and have experimented with catalog selling only to give it up.

Cobblers sometimes do well by not sticking to their last, but there's truth in the adage yet.

Mergers For Economy Only



WHILE the Supreme Court has told the packers that they may not venture into forbidden fields of business, the Standard Oil Companies of New Jersey, of California and Indiana once parted by the Court are planning a reunion as close at least as the law will allow.

The plan as reported is that the Standard of California shall in some way acquire Standard of New Jersey and that Standard of Indiana shall acquire an interest in the joint concern. Already Standard of New York has consolidated with Vacuum, both parts of the old Standard Oil.

The rush of mergers which marked the boom decade has subsided. Bigness for bigness' sake no longer appeals. The prayer, "give us volume," is not as potent as it once was. What we shall see perhaps are mergers made for economy, mergers made to save some plant which can be used economically only for limited purposes. What we can look forward to as we recover our senses, outgrow our fears and get back to supplying our own and our neighbors' needs is a reign of common sense.

Accomplishments In Hard Times



WHETHER the depression is to be regarded as opportunity or as ordeal is a decisive question now before industrial managements. A timely definition of the issue is provided by the Twin Disc Clutch Company of Racine, Wis., in the statement of its belief that "a depression remains an enduring problem only to those companies which are unable to organize themselves to render greater service or answer the greater needs in better ways."

Early in 1931, this company's management began to turn the depression to good account. "We concentrated advertising and sales effort upon new product engineering and redesign. We expanded our engineering facilities and brought them into closer liaison with the sales department. The result—a gain of 130 customers which, under normal conditions, we might have found it difficult to interest."

Evidences of this foul weather courage are readily

apparent in other fields. The electric refrigeration industry sold a million units in 1931, and despite the harder going has made its new objective "another million in 1932." Electric utilities throughout the country are beginning a three-year campaign for popularizing the electric range, and the Westinghouse Company enlisted its 35,000 employees to sell one or more Westinghouse household appliances in May.

Ingenuity and resourcefulness are the order of the business day. Witness the sale of chocolate drinks through metropolitan milk route services, and the development of "bread broadcasting" to carry advertising messages to the housewife by way of the wrappers. "Somebody has to start the ball rolling," says the Glidden Company in prelude to the announcement of a 90-day campaign on plant interior refinishing, with an electric spray painting unit given free with each six-drum order of paint. "A new line representing values written in capital letters" is put forward by Atwater Kent, notwithstanding the apprehension of skeptics looking for storm signals.

Much as the automobile gets into the public eye, General Motors is taking pains to tell the prospective buyer that it "enters 1932 with a complete new line of products, representing a total of virtually 150 different passenger models at prices ranging from \$475 to approximately \$15,000." And the overhauling of the Ford plants toward production of the new "V-eight" makes newspaper headlines.

The railroads, not to be outdone, put a fresh emphasis on speed, comfort, and convenience. A pleasing partnership with science is becoming fruitful in the provision for the air-conditioning or air-cooling of through sleeping-car trains, notably by the Chesapeake & Ohio and the Baltimore & Ohio, pioneers in this development. As for life on the rolling wave, the Cunard Company assures that "you can now go to Europe or take the cruise of your choice on the deferred payment plan."

Throughout the whole structure of trade and industry there is stimulating evidence, as these random examples suggest, of intelligent ferment and the will to rise above unfavorable circumstances.

What Measure of Sentiment?



abstract, intangible element, to curving lines on a chart. The five factors taken to reflect the state of the commercial mind were charted separately, and the results averaged into a single line. The factors are: bank suspensions, money hoarding, account collections, velocity of circulation, and bond price ratios.

If these factors do reflect business sentiment then business sentiment is better in April than it was in January and about where it was in the early fall of last year, with the difference that in April it was moving up and last fall it was moving down.

Business sentiment measured by this chart kept

IN A RECENT issue of the Cleveland Trust Company *Business Bulletin* there appears an unusual graph. An effort is made to record business sentiment, that most ab-

fairly level through 1930 at a time when the volume of general business as measured by most indices was dropping at an unprecedented rate.

The Trust Company's "sentimeter" is ingenious and perhaps accurate, but it is hard to believe now that business sentiment was on even a modestly high level in 1930 or that it turned somewhat abruptly upward in the first quarter of 1932.

Leaders But Not Czars



arbitration or to lay some plan of promotion or production was hailed as a czar, and the popular imagination credited him with powers of life and death over the units of an industry.

We had movie czars and baseball czars and dress czars and construction czars until even the men in the industries who chose the coordinators began to wonder what it was all about.

Finally the phrase grew obnoxious. Leaders in business-group work begged not to be referred to as "czars." But the need of one man with authority—if certain things were to be accomplished by industry—did not die out.

Recently, the North Atlantic Passenger Conference asked Ernst Lederer of the Hamburg-American to take the job of settling their internal troubles; Paul L. Haid is to do a like job for 165 fire insurance companies; rubber sought George T. Bishop; and General C. F. H. Johnson is to be permanent chairman of an advisory board of the wool industry.

But let's not call 'em "czars."

Competition By Government



government-owned ships.

At least that's the point of view on the Pacific Coast, where private shipping companies are protesting against allowing the Interior Department to operate the steamers Boxer and North Star on the Alaskan service from Seattle.

The Alaska Steamship Company voiced its protest to Senator Norbeck the other day in a despatch, part of which follows:

Privately owned commercial lines can give Government better service, more frequent sailings, than government steamers, and we sincerely believe that these commercial steamer lines can perform such service cheaper than the government operated vessels.

Vessels serving Alaska are forced to sail repeatedly only partially loaded resulting in operating loss in an endeavor to give service, while at the same time government-owned and operated ships are taking freight and passengers which should be given to commercial carriers if these carriers are going to continue to exist and give the territory steamer service it should have.

And that is only one of some hundreds of lines in which the Government is in direct competition with business men and taxpayers.

FOR a while business had a rush on "czars" in business. Every man who got a job trying to bring together conflicting elements in an industry, to set up some kind of

A GOVERNMENT which wants to see the American merchant marine built up might at least refrain from injuring that merchant marine by direct competition through

Where Uncle Sam Can Save \$600,000,000

By Representative JOHN McDUFFIE

Chairman, the House Special Economy Committee

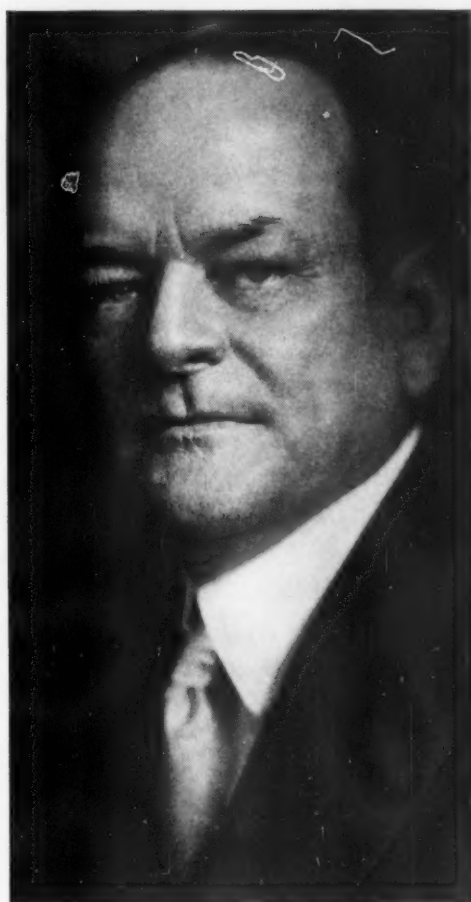


A STRAIGHTFORWARD enumeration of governmental extravagances as they appear to a man who has been engaged in a study of federal activities with a view to saving the taxpayers' money. Representative McDuffie believes that economy is possible and shows where actual savings can be made

A THOROUGH study of Federal Government activities indicates that at least \$600,000,000 must be cut from present expenditures during the next two years.

This saving can be accomplished through businesslike retrenchment, reorganization, merger and elimination within the government departments, bureaus, boards and commissions; by the removal of duplication in the public service, scaling down of other features to present needs, and elimination of those "luxuries" and non-essentials which have grown up in recent years. This can be done without seriously impairing any essential feature of the public service.

It is not an extreme statement to say that if governmental expense is not curtailed, business depression will not soon be dissipated. In some respects it may be intensified. Everyone knows that if the credit of Uncle Sam is imperiled, every citizen is affected and no business is secure. We are facing a situation from which no one—federal official, member of Congress, or private citizen—can turn away. The Government faces the same economic extremities that confront private business, industry and even the home. This is a time for united action and unstinted cooperation.



HARRIS & EWING

Representative John McDuffie
of Alabama

The American citizen must realize now as never before that the services of the Federal Government are costly and must be paid for ultimately by the average man. The burden of taxation is properly placed upon wealth, yet taxes placed upon the rich are usually, in the last analysis, passed on, with the result that practically every citizen, be he ever so humble, pays his part of the cost. If the American people insist upon maintaining the overmanned, top-heavy, gigantic and expensive central government at Washington; if they insist up-

on what might be called luxuries in government, they must pay the bills, which, of course, mean additional tax burdens.

The Special Economy Committee of the House for several weeks has endeavored to work out economies and retrenchments designed to remove some of the duplication, needless functions and unnecessary expenditures in the federal structure without handicapping essential services.

However, this Committee's activities can extend only to the end of this session of the Congress. The Committee can, therefore, merely scratch the surface, and must leave much of its task unfinished.

Retrenchment needed

THE conditions with which the Committee has dealt are not the result of any single influence or group of factors, but rather of the entire range and trend of things since the Armistice.

When the war ended the nations of Europe needed for their rehabilitation vast stores of raw and finished products, which they bought at our prices. The result was expansion in practically every business and, likewise, expansion in governmental activity. All was well, both for business and for government, so long as this expansion lasted. But when the rehabilitation of Europe was completed, and the streams of gold ceased to flow, credit was restricted and the crash came.

Business and industry instantly faced the necessity for retrenchment. The Federal Government is top-heavy, while the powerful hand of Uncle Sam has extended into practically every business, and even into the social life of the citizens. There has been little concern as to

whether the expansion involved the duplication of functions already partially performed by the central government, or partly or wholly so by the states and municipalities. As a result, expenses of the central government have increased by hundreds of millions of dollars.

Federal aid has become something of a narcotic to state and local governments, with the result that individual initiative and local responsibility has been in a great measure lulled into inaction and inertia.

Peculiarly enough, the expense of local government has not decreased as a result of Federal aid, and many states and cities are helplessly in debt.

The tendency to abnormal expansion of government in Washington may be attributed, I think, to three specific causes:

1. Indifference of taxpayers in the last decade to the increasing costs of the Federal Government.

Expensive minorities

2. ACTIVITIES of the noisy minorities who have been intent upon loading the Federal government with new activities without regard to whether they involved duplication of service or an unjustified increase in governmental expense.

3. Willingness of state and local governments to surrender to the Federal Government functions which, under our concepts of government, naturally belong to them. This tendency in such matters as education, development of agriculture, protection of forests, conservation, and a multitude of other things, has thrust upon the Federal Government a multitude of tasks which were never contemplated in the formative days of the republic, and which, even in this advanced day, are often difficult to justify.

The high-powered propagandist, the bureaucrat and the organized minority are gradually destroying our representative form of government.

If the sovereignty of the states means anything at all, it means resistance to the centralization of power in Washington, which has brought the hand of the Federal Government into every phase of business and into domestic affairs.

Duplication in function is one of the outstanding evils from which the Federal Government suffers and one of the most baneful effects of the rapid expansion since the war. There are ten departments and 175 independent boards, bureaus, and commissions in its make-up today. In many cases we find in some department a division that is

performing in some measure the same function as one of these bureaus or commissions.

In a vast number of cases the work of these bureaus could be transferred to a department, with the partial or complete elimination of the independent organization, with no injury to the public service.

A Radio Commission, for example, exists for the regulation of the radio business. For next year it asks an appropriation of \$431,360. At the same time the Department of Commerce has a radio division for which it is asking \$598,500. The work of the two bureaus could well be merged and placed in the Department, with a substantial saving.

We find a separate National Advisory Commission on Aeronautics for which we are appropriating \$1,012,300 for next year. At the same time, the Department of Commerce seeks \$8,929,660 for its aeronautics branch, while the Navy Department asks \$26,660,000 for its Bureau of Aeronautics, the War Department wants \$25,482,903 for its air branch, and the Post Office Department has an air mail service upon which \$16,942,454 was spent last year.

Manifestly here is duplication, and the independent commission might at least be merged with one or the other of the civil branches of the departments, with a considerable saving.

Commissions might be grouped

IN turning through the budgetary requests for next year we find such items as \$400,000 for the American Battle Monuments Commission, which might well be a part of the War Department; \$1,000,000 for the Arlington Memorial Bridge Commission, which has practically completed its work and has always functioned closely to the Bureau of Public Buildings and Public Parks of the National Capital; \$169,865 for the Board of Mediation, which was organized a few years ago to deal with railway labor disputes, although the railway managements and their employees apparently have learned to settle their differences among themselves.

In addition to the Board of Mediation, there is the Commission of Conciliation, at a cost of \$205,000 a year, to settle disputes in other industries. These agencies might well be merged.

The Federal Board of Vocational Education asks \$10,285,405 for next year while the Department of the Interior seeks \$484,600 for its Bureau of Education. The task of vocational education should be gradually turned back

to the states, where such a function primarily belongs, especially since agricultural extension work and the Bureau of Home Economics both teach vocational agriculture in the home and on the farm.

Merging would make economy

THE Federal Power Commission and the Federal Oil Conservation Board ask for \$379,520, although the Department of the Interior wants \$2,904,000 for its Geological Survey, and the Department of Commerce asks \$2,064,530 for its Bureau of Mines. All of these divisions might be merged into a single departmental branch, thereby effecting great economies.

The Civil Service Commission, Bureau of Efficiency, Employees Compensation Board and Personnel Classification Board have asked for next year a total of \$6,924,702, though this work could be centered in one organization and the appropriations materially reduced.

The George Rogers Clark Sesqui-Centennial Commission asks for \$500,000 to complete a permanent memorial of the Revolutionary War in the West. The George Washington Bi-Centennial Commission requests \$452,230 to continue its celebration, and the Mount Rushmore National Memorial Commission wants \$25,000. It would seem that the completion of the Clark memorial might await more prosperous times or be turned over to the War Department, while the request of the George Washington Bi-Centennial Commission could also take a material slash despite the very efficient work of its directors.

The Interstate Commerce Commission asks for \$9,661,410, which is a reduction of \$2,500,000 from last year, but a sharp increase over its annual costs ten years ago when the volume of business and freight movement was approximately the same as today. Functions of the Commission have greatly expanded in recent years entering into every phase of railway activity, yet this is in response to the demands of the people.

Adoption of some form of a fee system might well be considered to cover costs of the Commission hearings which are now borne by the Government.

The Supreme Court Building Commission asks for \$2,000,000, which is separate from the building fund, although no apparent reason is manifest why this project should not have been handled from the outset by the Treasury Department. Work of the Public Build-

ings Commission, which is asking \$125,000 for next year, could likewise be transferred in the interest of economy.

The Bureau of Public Buildings and Public Parks in the National Capital asks for \$4,701,575, while the National Park and Plan Commission wants \$4,000,000. Obviously these commissions could be merged or turned over to the Treasury and War Departments.

Jobs for the states?

IF we look at the work of the departments we find room for still greater cuts. The Department of Agriculture is performing a multitude of services which manifestly devolve upon the states, and it is questionable whether much of the expenditure for them represents a sound investment.

In this list are experimental stations, \$4,681,940; Extension Service, \$10,429,066; soil erosion investigation, \$289,000; Bureau of Biological Survey, \$1,794,710; Bureau of Agricultural Engineering, \$6,785,953, and the Bureau of Home Economics, \$234,365. Work of these bureaus can certainly be curtailed in a season of business stress.

Forestry and national park service of all kinds clearly should be placed in one department. The Department of Agriculture is asking \$13,416,500 for its forestry service next year, while the Department of the Interior seeks \$9,277,000 for its national park service, including \$6,000,000 for forest roads and trails. These funds should be sharply reduced for next year, and eventually merged in one department. The continued expenditures in large sums for roads and trails and other construction in Alaska should be stopped. The population is decreasing, the railroad loses a million a year and \$10,000 per annum is expended for printing the sad story.

The bureaus of Animal and Plant Industry, Chemistry, Soils, Entomology, Biological Survey and Agricultural Economics, calling next year for a total of \$33,780,783, can be curtailed in these times of financial distress. A sum of \$360,835 is sought for fertilizer investigation next year—a function already carried on by private industry—while \$311,705 is asked for soil investigations, and \$210,080 for soil fertility study.

Insect studies next year are to cost the Government \$2,437,915, according to budgetary requests. Other items in these requests are:

Farm management and practice, \$455,467; foreign competition and demand, \$371,190; market news service, \$1,406,220, and cotton statistics apart from crop estimates, \$381,000.

The Department of Commerce, asking originally for \$44,719,304 for next year, presents several items that might well be cut. This sum could reasonably be cut without substantial injury to business or industry.

Expenses of the lighthouse service, while one of the oldest and best services, calling for \$4,550,000 for next year, are high. Substantial reductions seem reasonable and possible in the budgetary requests of \$7,283,670 for the Coast and Geodetic Survey, Bureau of Fisheries and Bureau of Mines.

If the Bureau of Lighthouses were merged with the Corps of Engineers of the U. S. Army, which constructs and maintains channels, hundreds of thousands of dollars annually could be saved. Instead of each service maintaining a wharf or docks and boats, the Engineers with their harbor equipment, slightly enlarged, could with very few exceptions perform the lighthouse service. This is no reflection on the time-honored and very efficient service of the Lighthouse Bureau.

Several divisions of the Department of Labor could well be merged, with substantial reductions in expenditures, without impairing its efficiency. The Bureaus of Immigration and Naturalization, seeking \$11,786,000 next year,

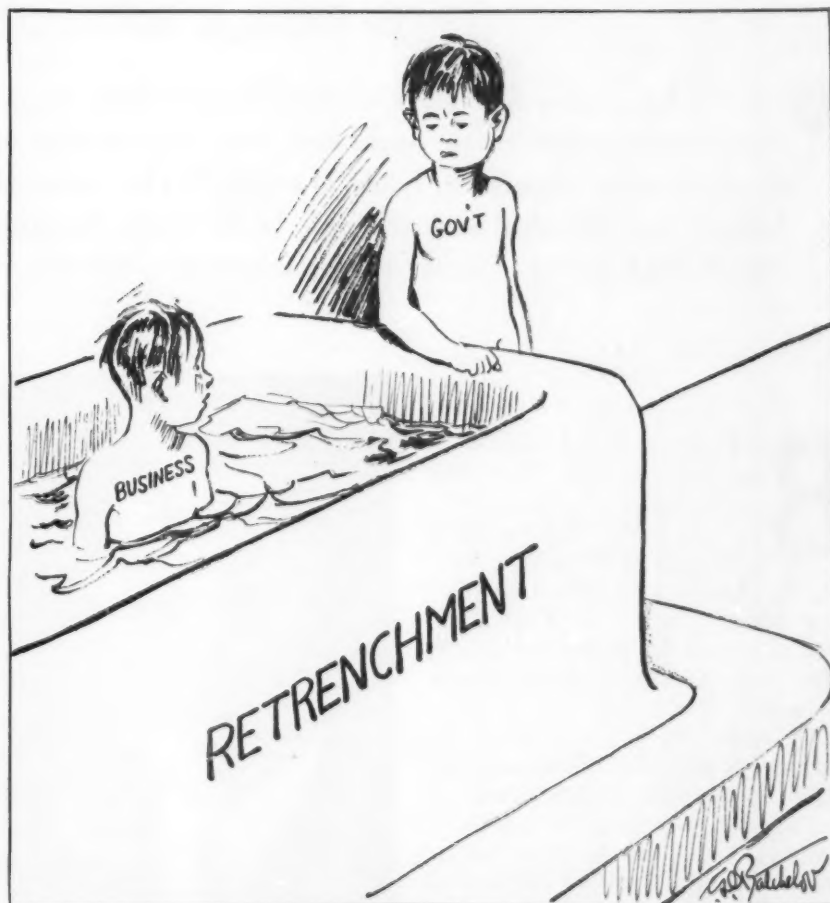
should be merged. The Children's and Women's Bureaus, calling next year for \$575,400, could be merged, substantially reduced, and placed in the Public Health Service. The employment service represents a function properly devolving upon the states.

Consolidation of the Army and Navy into one department, it is estimated, would save from \$50,000,000 to \$100,000,000 a year.

The item of \$829,000 for Veterans' Administration can be reduced without the slightest injury to a single veteran disabled in line of duty. The appropriation of \$21,000,000 for Congress should be cut ten per cent, as should the appropriation of \$37,831,000 for the District of Columbia.

We have a Federal pay roll amounting to \$1,315,000,000. Since the cost of living has been reduced more than ten per cent, at least a ten per cent cut should be applied and thereby save to the taxpayers \$131,500,000.

In effecting economies in Government the Congress should act without regard to party lines and without any effort to claim partisan credit or to avoid responsibility. This tremendous task challenges our best thought, and rests not only on every member of Congress, but on the entire citizenship.



You're Next

COURTESY, THE NEWS, NEW YORK



Rockne's selling methods
got right down to cases.
He began with the man

COURTESY NOTRE DAME UNIVERSITY

Knute Rockne as a Sales Coach

By FRED B. BARTON

★ **BUT** for his death in an airplane accident, Knute Rockne, famous Notre Dame football coach, would have been vice president of the new Rockne Motors. His system of selling, like his system of football, was individual and effective. In this article President Paul G. Hoffman, of Studebaker Sales Corporation, describes it

and handling a sales force. He admits having learned more about sales management from the kneeling man in a sweater than from experience, text books or research. Rockne clicked as a sales manager, and but for his death in an airplane smash he would have been named vice president of the new Rockne Motors.

Rockne's selling methods got right down to cases. He began with the man.

"Very few sales managers," says President Hoffman, "have precise knowledge of the mental, physical and spiritual qualities they are looking for in salesmen. They spend too much time reading testimonials rather than checking for fundamentals. They are still far more interested in star salesmen of competitors than in the potentialities of men in other fields who may with the right development far outshine those stars. Rockne knew men so thoroughly that he could pick future football stars right off the campus. The sales manager likewise must know the human qualities he needs to make into champion sales material."

In the field of training, Rockne was
(Continued on page 76)

BUSINESS is used to occasional surprises—a Will Hays who leaves politics to join the movies at a giddy salary; a Judge Gary who makes good in steel; a Judge Landis who retires from law to dominate baseball; an Elbert Hubbard who, from the memories of an unhappy sales experience, coins a Message to Garcia.

Yet surely one of the strangest developments was when Studebaker annexed Knute Rockne, the coach of Notre Dame, as special sales adviser.

Strange? But not to those in the know. President Paul G. Hoffman of Studebaker Sales Corporation finds a close parallel between coaching football



COURTESY STUDEBAKER CORP.

Paul G. Hoffman

What's Going on in Washington

Another Letter from W. M. Kiplinger

DEAR MAC:

AGAIN let me caution you against believing all the things you hear from Washington. It isn't that they are untrue, but they are so often fragmentary, just a small part of the picture, just one angle of the situation, just the conclusions or the views or the program of a single group or school of thought. You get all steamed up over reports of things which may seem right and proper and plausible. You conclude, therefore, that these things will be done. But they are not done, and the reason is that the forces against them were too strong. You might have seen these forces at work and known the outcome if you had not been so engrossed in your own particular fixed ideas of the outcome.

It will pay you to be as objective as possible about Washington, especially in these times of anxiety.

Gullibility I HAVE never seen business men as a general class so gullible about Washington developments as now. They believe almost anything, especially if it is whispered.

One of the standard mistakes (I hope you don't make it), is to swallow whole the "inside information" which is handed out by some man who has just returned from a flying trip to Washington to get the "low down." Chances are that the man saw a dozen people, including some in "high places." Chances are that he got all loaded up with fragmentary views. Chances are that on the third narration these partial possibilities got set in his mind as probabilities, and were whispered to you as "sure things."

Rumors RUMORS circulated by grapevine are usually not baseless; they are merely exaggerated. The standard recent rumors have related to beer, inflation, gold standard, new wars, recognition of the Soviet, new spectacular programs of the President (dozens of these rumored), and coalition cabinet. Incidentally, there are hundreds of little rumors to the effect that Congress is about to rush through certain items of legislation which, in fact, Congress has not the slightest intention of passing.

Oracles THERE are no sure-fire oracles in Washington, especially on the subject of the course of business. There are observers, some good, some poor. The common characteristic of the poor observers is that they get their hopes, or the hopes of their principals, all mixed up with the factual prospects of things.

What to Believe I CAN give you no definite formula on what to believe out of Washington, but I can offer a few general rules for your guidance:

Congress seldom reverses itself.

Legislation never goes through in a hurry.

Most governmental policies are preceded by months

of discussion, and they always cast their shadows before them.

Most bills are introduced for effect, not with serious hopes of enactment.

No bill ever gets enacted without a lot of organized backing throughout the country, and some sort of organized "lobby" is usually required to put it through.

Very little legislation these days is "partisan," and the party alignments in Congress mean almost nothing. The control is in numerous shifting blocs.

Three-fourths of the measures of which you read most in the newspapers will fail of enactment.

Many bills are passed by either House or Senate with the deliberate intention of having them die in the other house; thus members get "credit" without the complications involved in "results"; it is one of the tactical "merits" of our parliamentary system.

There are other rules, but these are enough. If you will check back over this session of Congress, you will see that the rules work. If you will apply them to your own specific legislative interests, you will save yourself many unnecessary anxieties.

What I am trying to do is to encourage you to be your own Washington forecaster as much as possible, and not to be dependent on bits of gossip.

Prospects on Bills I'D BETTER give you a quick summary of cold prospects on a few items of legislation in which you are interested as they appear at this writing.

(This letter was written May 7, and is published the last week in May—The Editor.)

ADJOURNMENT: June 10 is the date on which Congress hopes to finish, thereby avoiding a summer session. Chances slightly favor this program, but a few Senators can easily force a summer session. Bills not finally enacted now will retain whatever status they have on adjournment, until the next session, meeting in December and ending March 4, 1933.

TAXES: Bill will be enacted the second week in June, raising about a billion dollars; probably not including a general manufacturers' sales tax, nor any sort of a general sales tax.

BUDGET: This probably will not be balanced, but it will look approximately balanced. Government economy will save less than 200 millions.

TARIFF: I am inclined to believe that only oil and coal will be covered by protective "import taxes" in the final bill.

BANKING: Quite likely the Glass bill will be held up at the last minute, either in the House or in conference committee, and will not be finally enacted before the next session; not very sure about this.

Guarantee of bank deposits probably will not be voted.

The home loan bill probably will be caught in the eleventh-hour jam.

BONUS: Enactment is impossible.

INFLATION: No new paper currency will be printed; "printing press inflation" is improbable.

Goldsborough bill directing the Reserve System to expand credit and use other forces to restore commodity prices to approximately 50 per cent above their present level will not be finally enacted.

Expansion of Federal Reserve credit will go forward, approaching and perhaps passing the point of "artificial inflation" or "controlled inflation" without any specific legislation.

Whether it will raise prices is a question which depends on business developments, not merely on Washington developments. Chances are that it will raise them somewhat.

GOLD STANDARD: Suspension at some future time is not out of the question, but is rather unlikely. Legislation would be required.

RELIEF: Some sort of tightly-hedged provision for federal loans to states, which may subsequently lend to cities for unemployment relief, seems possible although definite plans are to be formulated later. It will be a tight squeeze in Congress.

RAILROADS: No important legislation is expected. Interstate Commerce Commission approval of a four-party trunk line consolidation in the East is expected early this summer.

AGRICULTURE: Enactment of equalization fee, export debenture, or other equivalent, is highly improbable. A plan for government financing of agricultural exports may be adopted. Abolition of Farm Board is politically impossible.

EXCHANGES: No new regulatory legislation is anticipated for either security or commodity exchanges, although there is to be a continuation of embarrassing disclosures concerning the New York Stock Exchange.

PHILIPPINES: Chances seem slightly against final voting of independence.

MUSCLE SHOALS: Chances seem slightly against final enactment; not sure of this.

ANTITRUST: Expect no legislation whatsoever.

BUS REGULATION: Final legislation is improbable.

PATENTS, COPYRIGHT: This legislation will be held over.

BANKRUPTCY: This will be held up.

COURTS: Chances appear against enactment of the proposal to deprive federal courts of jurisdiction over certain suits involving out-of-state corporations—aimed at the utility companies.

This list omits scores of measures which are of interest to special business groups, but the prospects are against final enactment of most of them.

In this appraisal due weight is given to the possibilities of a number of presidential vetoes. I can see no important bill which Congress would pass over a veto.

Weight also is given to the prospect of eleventh-hour jams, in which certain bills will seem to be on the point of going through to the final stage of the presidential signature, but which will be caught by controversy and held for completion next year.

Categorical forecasting at this particular time is unusually delicate and difficult, and you should check each of the preceding forecasts of special interest to you in the light of day-to-day developments. The most that any careful observer can do just now is to indicate the probabilities.

There are good reasons behind each of the appraisals of probability, but it would take a volume to explain them in detail, with all the qualifying if's

and and's. Furthermore, some of the reasons involve wholly confidential explanations by the authorities.

Tail-end of Session THE last week in May and the first two weeks of June will be the most critical period in a decade, from the national legislation standpoint. Rightly and properly it will be a period of great harassment and strain upon all business. No good purpose is served by minimizing the dangers inherent in a divided Congress which is overburdened with great issues, and whose members' nerves are on edge under a bombardment of conflicting appeals. The period is truly momentous.

Let me offer these observations:

Every tail-end of every session appears more menacing at the time than in retrospect.

No matter how "bad" a piece of completed legislation may seem to you, it usually contains various provisions for executive discretion which results practically in taking off the curse. No matter how "good" some piece of failed legislation may seem to you, there are usually ample reasons why the nation-as-a-whole did not so regard it. If it is truly meritorious it will survive.

If some piece of legislation fails, and if you regarded it as an emergency proposition, remember that there are usually other ways of accomplishing the desired result.

These observations may sound like pretty platitudes, but they are based on numerous actual observations of actual past situations, and they are true.

Conventions IT DOESN'T matter much what is in either of the party platforms to be adopted in June, for in the main they are merely expediency texts for subsequent speeches, and are so carefully phrased and hedged that they mean different things to different members of the same party. There are a few important exceptions.

Prohibition ON prohibition it seems quite evident that both parties will write platform planks pledging some sort of referendum or resubmission of the prohibition amendment at some future time. This is especially pertinent as applying to the Republican party, which is supposed to be "drier" than the Democratic party. It seems evident also that the phrasing of the plan will be such as to permit both wets and dries to justify their support of their pet party. Those dries who place prohibition above every other issue will certainly vote Republican, despite the moist plank. Those wets who place prohibition repeal above all else will be inclined to vote Democratic. But the issue will not be clean cut as between the two parties.

Mr. Hoover will be acquiescent, but will not take the lead in positive advocacy of a referendum or resubmission plank.

It has been obvious for months that this Congress would not vote to legalize beer, although the revenue prospects looked alluring.

Silver Plank MANY people seem to think the Democratic party will adopt some sort of plank declaring for bimetallism. I see no significant signs of it.

Tariff Plank THE Democrats will go on record for shifting of the flexible tariff power from the President to Congress, and will add the usual

words of praise for the traditional policy of low tariff. But the words mean little, because the Democratic party has lost its sense of direction in the tariff jungle, where the code calls for grabbing when the grabbing is good. On tariff, the Democratic party stands for the principle of moderation, but Democrats individually have risen above principle.

Candidates THE Republicans will nominate Hoover. The Democrats will nominate —. The reason I conceal the name of the Democratic candidate is that I do not know it, despite a sheaf of work sheets and a head full of primary "dope."

Inflation GETTING back to Washington, let's talk about inflation. By "inflation" is meant roughly the increase of the volume of money or its equivalent to the point where it is cheapened, where its buying power per dollar is reduced, and where, consequently, a given quantity of commodities or services are worth more of the cheapened money. In other words, the object of inflation is to raise prices. And the principal immediate value of rising prices is that they stimulate buying, for people always buy more liberally when they think they can buy cheaper today than tomorrow. Thus, rising prices tend to "inflate" purchasing habits, and this is deemed currently desirable.

There are two kinds of inflation—inflation of currency, and inflation of credit. The differences are technical, for at bottom they are much the same thing.

Inflation of currency is represented by the proposal to pay the bonus in cash, with currency manufactured for the specific purpose. Inflation of credit is represented by the Goldsborough bill which directs the Reserve System to expand credit until prices are approximately 50 per cent higher than at present.

Neither of these measures will finally get through, so let us turn our attention to voluntary expansion of credit by the Reserve System, through open market purchase of governmental obligations. In one sense, this is a means by which the Reserve Banks help to finance government expenses in a period of unbalanced budget. In another sense, it is a means of loading up the banks themselves with a sufficient quantity of idle credit, so that they will be forced to lend to customers.

The acute question right now is whether the banks will be willing to lend, and whether they can find enough good, safe borrowers who are willing to borrow, not merely for purposes of paying off other debts, but for purposes of making new business, of turning faster the wheels of industry.

It will take until July to find the answer to this question. It may work; it may not work. Washington is "hopeful."

If it does not work, then serious times are ahead, for many business units cannot stand much more strain.

If it does not work, then we may expect inflation of currency by the printing press route next winter. This would be "forced inflation," for it would pump spending power artificially into the hands of spenders. I am disposed to think that currency inflation will be avoided.

From the Washington angle, it looks as if gradually rising prices are inevitable. This refers mainly to commodity prices, and incidentally to prices of stocks and equities.

The business of credit expansion or "inflation" needs to be very carefully managed and controlled. It is a two-edged sword. The wielders must watch both the domestic effects and the foreign fears.

HUNDREDS of rumors are in the air as to what the Government plans to do. Business men who hear them frequently allow their hopes or fears to be unduly aroused. Mr. Kiplinger, after years of experience in weighing Washington gossip, gives you his own formula for determining what is likely to happen and what is merely hope. By following this formula himself, he has been able to forecast events with enviable accuracy. It is this record for accuracy that leads us to pass his opinions on to you.

We believe you will find them interesting although you may sometimes disagree with him—as we do

Veto MR. Hoover will veto either the bonus, or the Goldsborough inflation bill, or both, if they reach him. Similarly, he will veto the pensions bill, and the bill for loans to states for public works, if they reach him. All of these have bearing on the subject of inflation.

Economy WASHINGTON has tackled the delicate job of cutting government expenses in a clumsy fashion, and the results are not good. It is as if five quarrelsome surgeons were simultaneously engaged in taking out the appendix.

Organized business with its propaganda has done a good job of creating public awareness of the dangers of easy-going expansion of public expenses. But organized business has been just as much divided as Congress itself on the practical means of effecting economies.

Here are good questions to ask ourselves:

1. How much do we want government to do for us? Most of us say we want less, yet we actually demand more.

2. How much do we get for our money? Most of us say we don't get enough, yet we do not examine closely where the money goes.

3. How much can we afford from time to time? Most of us were careless about acquiescing in extravagances in good times, and now we are up against the cold necessities of paying in arrears.

4. How much controversial "service," as distinguished from non-controversial "government," do we expect from the state? This is a really big point on which organized business should try to agree, or approximately agree. It must be tackled by business-as-a-whole. It cannot be tackled successfully by single business units, or

by single trade associations acting independently, for the latter method degenerates quickly into a "grab."

For the long pull, the agitation for reduced expenditures has had a good effect on Washington and should be continued. For the short pull, it has been disorganizing and demoralizing, particularly in the light of many inaccurate and unfair representations as to where the money goes.

Always remember these points: The total budget is around four billions. Of this, the debt costs one billion. The veterans cost one billion. The army and navy cost three-fourths of a billion. Public works and construction cost one half billion. Federal government itself, such as you see, costs around six to seven hundred millions.

Where do you want to cut? You must keep thinking about this question long after Congress adjourns. If you don't, then you will not get results next year and thereafter.

Commerce Bureau THE Bureau of Foreign and Domestic Commerce, which is a service or promotion agency for business, has had more critical attention from organized business than it deserves. The trouble with this Bureau is that it ran for a couple of years without vigorous administration at the top. It developed bureaucratic habits.

The service would have been benefited by a ten per cent cut, but it is materially harmed by the 30 per cent cut, and business interests probably will have cause for regret.

Business Politics ONE of the faults of organized business is that it is not sufficiently unified in its aims, with special reference to government economy. Every business has its *customers*, just as every member of Congress has his *constituents*, and the politics of business are not greatly different from the politics of statecraft.

Individualism in matters of state does not work. Individualism in matters of the internal politics of organized business will not work in the end. Divergent interests in business are natural and unavoidable, but the important thing is to ascertain the lowest common denominator of interest, and to eradicate gradually the conflicts.

If the capitalistic scheme of things is to earn its salt and survive as the best social expedient, it must make haste to develop and maintain better organizations, associations, and federations of business men. The same applies to all other "classes." It sometimes seems that other "classes" are sticking together better than business men. If so, it is bad for "business."

Profit SOMETIMES we forget what profit is. We think it is a private thing. So it is, in a narrow sense. But in the larger picture, it is the one thing upon which our whole social order is built.

The practical application is this: It is essential that there be closer cooperation between business and government for the adjustment of the problems of each so that there shall be profits; and, therefore, available public revenues; and, therefore, government. Cooperation of this character is a job for organizations, not for individuals.

Antitrust ONE main reason why Congress has done nothing about antitrust laws is that business interests have not agreed among themselves as

to what should be done. There have been too many competitive schemes for cooperative programs.

Farmers IT is illuminating to observe how influential the agricultural lobbies have been in this session of Congress. Organized agriculture, plus organized labor, killed the manufacturers' sales tax. No proposition disapproved by the agricultural lobbies has been enacted. Special business interests which want particular legislation, particularly on details of the tax bill, have run to the agricultural lobby for aid. All propositions having a strong "farmer angle" get this aid and meet with success in Congress.

Farmer sentiment is "inflationist."

Organized labor has been partially successful in its legislative projects.

Unemployment ALL of the authorities "in the know" feel that we must count on continuing unemployment for several years and must deal with it as more than a temporary problem. This is the principal point behind the opposition to federal aid: It isn't so much that the Federal Government can't afford to risk the dissipation of its credit; it is more the conviction that reliance upon distant aid makes flabby the social muscles of the locality, cuts down the development of local ingenuity, local adjustability and local generosity. As a practical phase of the movement to get the most out of those who have, for the sake of those who have not, local responsibility is more expedient than distant responsibility. Primarily it is not a matter of principle, but rather a matter of practice.

Elections IT is impossible, of course, to figure out the fall elections this far in advance. But there are certain general observations which may serve as a guide.

The weakness of the Hoover cause lies mainly in the business depression which many voters will attribute to Hoover and the Republicans. Hundreds of thousands of normally Republican voters "want a change," and will gamble on a new political deal to get it.

The strength of the Hoover reelection cause lies in the weakness of the Democrats. It is said they have not made a good record in Congress. This claim is unfair to the Democrats, for they probably have done no worse than the Republicans would have done if the Republicans had held such a narrow margin of control in the House. But voters are not always logical. The Democrats have serious internal dissensions over candidates, and bitterness is bound to develop at the June convention. The Democrats probably will have more trouble over their prohibition stand than the Republicans, for the Republicans will straddle more successfully.

Anyone hates to go on record at this time for an election forecast, but since you insist, I shall say that, in my opinion, the chances on the basis of present-known factors are slightly in favor of Hoover's reelection.

Yours very truly,

Wm. L. Hughes

Business Studies the Job Ahead

By J. ELMER MURPHY

Assistant, Press Department, U. S. Chamber of Commerce



IN THE character and magnitude of the problems confronting it, the Twentieth Annual Meeting of the Chamber of Commerce of the United States, in progress in San Francisco as this is written, will probably rank in the perspective of later years as one of unusual significance.

It marks the end of two decades of voluntary effort by business to deal on a national scale with large questions of economic policy and to marshal systematically the resources at its command in the discharge of its functional responsibilities. The record of these 20 years is one of substantial accomplishment. Much has been done, but there remains, as the Annual Meeting shows, much more to be done. The pendulum has been swinging slowly away from narrow egoism and parochialism in business toward collective effort represented, on the one side, by voluntary organizations of which the National Chamber is the capstone, and, on the other, by the growing tendency to enlarge the sphere of governmental activity at the sacrifice of individual enterprise. It was evident that to this trend the depression has given pronounced impetus and that the necessity for determining which course shall be followed as a matter of national policy has approached perceptibly nearer.

None of the preceding 19 meetings faced a more formidable array of economic difficulties. In none was the encroaching shadow of government—the attempt to use the mechanism of politics for the administration of economic affairs—more apparent. A large proportion of the questions upon which the attention of the meeting was focused had to do with the effects of government policy upon business,—through taxation, regulation, and, in some instances, competition, and proposals to extend still further the area of its supervision.

On the other side, the progressive

BANKING, unemployment, agriculture, trade associations, distributions, construction—these were some of the subjects discussed at the Twentieth Annual Meeting of the U. S. Chamber of Commerce recently held in San Francisco. Review of its two decades of activity showed many accomplishments of the Chamber—but much remains to be done

effort of business to meet common problems on its own initiative was reflected in a number of subjects under discussion—the elements of strength and weakness in the American banking system, industrial and community planning, the establishment of company reserves against unemployment, interrelation of agriculture and other fields of enterprise, the place of the trade association and the local commercial organization in business autonomy, changing aspects of distribution, organized effort in construction.

Economy in government

THE dominant note of the discussion at the meeting was the financing of public activities—the cost of expanding government and the increase of public indebtedness. It was made evident that government cannot escape economic limitations and that political activities, however desirable they might be, are circumscribed in the case of the public as in the case of the individual by ability to pay for them.

Business, or productive enterprise, as the source of public as well as private income, appeared from the early discussion to be concerned over the possibility that its own resources would be so heavily drawn upon to support public enterprise that its ability to perform its own functional service would be impaired.

From this viewpoint the meeting considered at length not only the direct effects of governmental policy in grow-

ing taxation but indirect effects resulting from ventures into many fields of activity. Prohibition was weighed in an economic light as involving a substantial loss in revenue and increased public expenditures for enforcement and the suppression of crime which is alleged to have followed in its wake. Anti-trust laws were considered as deterrents to conservation of

natural resources and stabilization. Effects of public policy upon business, in banking, transportation and other fields, were discussed.

These and other questions were discussed, not only by the Chamber membership, but at conferences of trade association executives and of commercial organization secretaries.

Several sessions of the meeting were devoted to the pressing problems of public finance, state control of taxes and debts and local controls of public expenditures. The whole range of governmental activity was brought under review as a matter of national economy. Shrinkage in public revenue and stagnation in productive industry brought into sharp relief the question whether government expenditures could be curtailed not only by more judicious spending but by eliminating non-essential activities that business would be impeded as little as possible in its efforts to regain its balance.

This involved a scrutiny not only of the manner in which money is being spent upon public projects but the purposes for which it is being spent.

Groundwork for the discussion of this portentous problem was laid in the report of the Chamber's Committee on Federal Expenditures which recommended substantial cutting down of the national budget. At the same time reports from various states and municipalities brought to the attention of the meeting indicated substantial achievement in the accomplishment of this purpose.

How Spending Put a Country



EWING GALLOWAY

The Central railway station at Sydney is a fine building but shipping over government-built roads is a jig-saw puzzle

A GOOD, plain, honest fact has at last thrust its way through the mists of theory shrouding our present miseries. If someone else spends your money, your own spending power suffers accordingly. If that someone else happens to be a government official, the whole economy of private production and distribution on a competitive basis is upset. The duty to produce, unless balanced by the right to consume, is merely another name for slavery.

The machinery for deciding the proper share of each factor in production and distribution has been slowly evolved through decades of practical experience and experiment in the working of industry. The only force that has managed to escape this regularizing process is political power. The effects on general business of uncontrolled government spending have to be experienced to be known. They cannot be deduced from the pure theory of the economists. Wise nations prefer to learn from the mistakes of their neighbors and the costliest tragedy that could befall the American people might well be averted if they took heed in time of the plight of neighbors who have omitted to bridle the extravagance of bureaucrats.

Australia has given the world an object lesson in the consequences of unlimited government spending; the most valuable of all possible lessons because the extravagance has been singularly free from official corruption or graft. No nation has ever been brought to the brink of total ruin by more honest and well meaning public servants.

Socialism and all its attendant imps of political control is the official villain of the story. The name, however, like that of Charity, covers a multitude of unrelated sins. In

plain fact there never has been a true socialistic government in either the Commonwealth or any of the States of the Australian continent. Government control of the means of production has always proved impossible in practice in any Anglo-Saxon community. Socialistic theory has been used to cloak the much easier task of interfering in the handling of the distribution of wealth created by private endeavor working under the tried system of competitive industry.

It is neither impractical nor difficult for a Government to seize wealth already created and redistribute it in accordance with its political views. The results in time destroy the

whole balanced field of industry, but politicians as a class are generally willing to echo the words of Louis XV, "After me the deluge."

The Australians have had their deluge and the American business man who misses the significance of the methods which crumbled economic security in the Antipodes is in danger of something worse than getting his feet wet.

An overbuilt railroad system

A YOUNG continent in process of development is at the mercy of its transportation system. The tremendous capital investment represented by railway pioneering must always precede the development of agriculture and industry. The Australians determined the whole future of their economic life by overeagerness in railway construction. Unwilling to await the cautious appraisal of private capital, each state borrowed money on the London market for governmental construction.

By 1901, when the politicians were prepared to federate the various states under a Commonwealth Government, the publicly owned railways boasted four different gauges, breaking intracontinental traffic into a nightmare of political design. The total cost of conversion was estimated in 1921 at \$300,000,000, a staggering expenditure for a population of less than 7,000,000. In the meantime, private industry continues to bear the expense of shipping goods through the jig-saw puzzle of varying gauges. When the politicians finally rested from their task of providing transportation, they had spent nearly \$2,400,000,000 of public funds on railways, ports and roads. This represents a little less than half the

ry on the Rocks

By T. Ritchie Adam

Department of Political Science, Occidental College

present national debt. In return for this, the Australian can boast that his nation owns more miles of railway per thousand of population than any other nation on earth.

As a result, in 1930, Mr. Whitlam, of the University of Melbourne, has shown that the percentage of interest payment to the total revenue was 34.94 per cent; the percentage of working expenses to revenue, 83.57 per cent and the percentage of net revenue to capital 2.26 per cent. This represented an annual loss of more than \$42,000,000 on the railway system.

The great state of Victoria, containing the most conservative elements in Australian business life, had to confess, in 1930, to losing more than one-half of its total tax revenue in carrying out its four great public enterprises, railways, roads, water supply and soldier settlement on the land.

An Australian economist, Mr. Eddy, of the University



COMMONWEALTH
IMMIGRATION
OFFICE

The Government provided this settler with land and built him a house

The back country, last refuge of a man who wants to work for himself



GEORGE BELL

★
AUSTRALIA got to the point where the Government spent half the national income. It was well meant spending but it was unproductive. When the bills came in, Australia couldn't pay.

"Oh," you say, "we couldn't get into that sort of a fix. That's just socialism."

Yes, but our present troubles show how far we've gone. If you think it's easy to turn back read Representative Ludlow's article

of Melbourne, has discovered that the ratio of total government expenditure to the recorded production of the continent was 48 per cent in 1930. Governments and public officials produce nothing in the material sense, yet they exercise the right to spend nearly half of what the whole people obtain as a result of their private labors. The result has been curious and unexpected in so far as economic theory is concerned.

Investment without production

THE politicians have not redistributed wealth so as to give a greater portion of the comforts of existence to the unprivileged classes. Their efforts in the direction of social benefits, old age pensions, hospitalization, sickness and unemployment insurance have been less than that of conservative England. Their spending power has been directed toward creation of what are, on the whole, unproductive public works. This wasteful, planless, and unbalanced reinvestment of a substantial portion of the national income has prevented Australian industry finding its most profitable channels under the watchful eye of private enterprise. Politics, instead of hard economic fact, decides whether agriculture, mining or manufacturing shall head the nation's production and employ the skill of its sons. As each faction seizes in turn temporary control of the government, the top-heavy

mechanism of state investment plunges the nation into another erratic course of artificial development.

Taxation burdens and a public debt amounting to \$860 for every man, woman and child in the community are the least of the woes inflicted on ordinary citizens by this witches' Sabbath of spending. The level-headed business man is wholly unable to predict which way state finance is going to jump. A new policy of land settlement may ruin or enrich the farmer beyond his wildest hopes; a change in railway rates or construction policy may force the manufacturer out of business or turn his plant into a treasure house of profit. Business foresight—the foundation of all prosperity under private enterprise—is at a sad discount in the Antipodes.

Whether they like it or not, the producers of Australia have to become gamblers, or enter politics, or both. It says much for the adaptability of the British race that the Australians are now the finest gamblers and rowdiest politicians in the world. Industry based on gambling, however, faces unavoidable runs of bad luck.

Illustrations of the practical working of government spending could readily be given from the numerous examples of state enterprises in the sphere of private business. The metropolitan meat industry of New South Wales, the pipe and reinforced concrete works and metal quarries of the same state, together with the butchers' shops, fish supply, cannery and cold stores of Queensland are generally cited. These exotic flowers of state socialism, however, have had little real effect on the life of the people. They are really symptoms of a graver disorder, the uncontrolled spending of public money. As competitors in production they have caused private enterprise small concern. The fairest example to examine would be none of these extreme cases, but sober policies of land settlement carried out in no haze of socialistic theory.

The various state governments have from time to time decided that the population of the country could be increased by breaking up great pastoral estates into small holdings. Armed with compulsory legislation, the Government has purchased estates and financed settlers on long terms of repayment. The necessary check that private capital would have put on the intrinsic value of the land purchased and the character of the settler financed was dispensed with. In one state alone the probable losses from these schemes will amount to nearly \$40,000,000.

Where the state pays the bills

THE same state has applied its benevolent ideas to the financing of farmers willing to tackle the marginal wheat lands known as Mallee scrub. On these virgin plains, the settler equipped on the average with \$500 has to handle a business proposition involving no less than \$20,000. The Government hands over to him at a nominal figure, paid over a 40 year period without interest, some thousand acres. His minimum requirements in working and grazing stock, implements, material and sustenance for the earliest period in which he can obtain a return for his labor are not less than \$7,500. Deferred outlay for further clearing, house, sheds, fencing and water supply, is, on a conservative estimate, \$2,500 to \$5,000. To meet all this he has only his original \$500.

His right or interest in the unimproved value of his land is non-negotiable for the first six years. Before a political movement to place returned soldiers on the land got under way, this deficiency in capital was made up by private credit. This was not based upon the small capital brought in, nor upon the hypothetical value of the block allotted the settler, but upon the settler himself. Private creditors—storekeepers,

contractors, purchasing agents, implement concerns—backed their judgment of a man's ability to make good by giving him credit. Private capital used discrimination in selecting the right type of settler to back and the farmer himself restricted his spending rigorously.

When the Government stepped in, credit no longer became a matter of grave selection, but the right of every free voter. Chaos followed.

Not designed for production

INSTEAD of working the land to produce salable products to bring in immediate income, the settlers used government finances to improve their living conditions and to build those sheds and hold-alls so dear to the farming eye. The morass of debt in which they became involved troubled them hardly at all; it was government money and a little political maneuvering would soon reduce their indebtedness.

The power of governments to indulge in unlimited extravagance at the expense of the national income is the danger spot of industrial civilization. It is not always recognized in its true colors. Socialism, if it means anything, means public control of the instruments of production. Before this task even the Australian government has quailed. It is easier to spend the true producer's money than to produce oneself and earn income. In this connection the words of Sir Lennon Raws, a great industrialist and former President of the Associated Chambers of Commerce of Australia are worthy of quotation:

"If social services are to be continued unabated, the weight must impinge on wages. . . . There is no magic purse out of which the cost of these services can be defrayed. Governments do not pay pensions; they merely appropriate income provided by someone else. The idea that Government can create income is fallacious. Watering the currency, extending credits, repudiating debts, reducing interest, do not add one penny to total income."

Australia has had her experience with political nostrums, designed to cure all economic ills through unlimited government spending. She realizes that her magic remedies merely transferred large portions of the national income from productive to unproductive services.

Having given the world an invaluable lesson, the Australians have turned grimly to setting their own house in order. At the national election in December, 1931, they put political power in the hands of the one man, Joseph Lyons, who has set himself to curb extravagance. Today Australia is perhaps the only nation fully conscious of the dangers that lurk in bureaucratic waste. With this advantage added to inestimable natural resources her recovery is likely to astonish the world.

Fred I. Kent, Director, Bankers' Trust Company, and a world observer of international note, summarized the principal obstacles in the way of a general recovery in a pithy message to the *Los Angeles Times*. He wrote:

Many evidences serve to show that from the standpoint of normal cyclical development the present depression has about run its course. It is clear, however, that the unfortunate political forces that have increased the depth and duration of the depression are still active.

It can hardly be expected that such forces will be dissipated while peoples are intrigued with uneconomic beliefs as to the monetary power of public treasuries to spend without regard to national incomes. On the other hand we have two most important instances of peoples apparently having learned their lesson and having decided to get their financial houses in order—Great Britain and Australia. That is most encouraging, even though in the United States we still face uncertainty as to legislative expenditure. This year is not in the lap of the gods—it is in the hands of the people.

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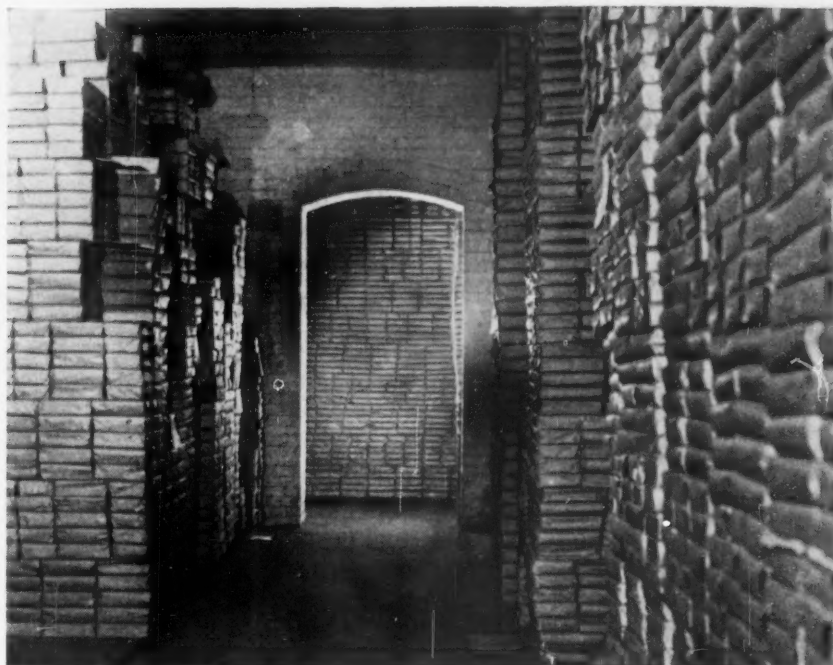
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HENRY MILLER

In the House Office Building mountains of books await the junk man

We Can't Save Unless You Help

By LOUIS LUDLOW

Member of Congress from Indiana



FOR MORE than 30 years I have been observing the day-to-day course of governmental affairs in Washington. For more than 25 of those years, I watched from the Press Gallery. For the last several years I have been playing my small part in those events—but still observing them with a reportorial eye, I hope—on the floor of the House of Representatives.

During those three decades I have seen the development of what is to me an alarming and threatening trend in this Government—a trend toward increasing centralization of power in Washington, toward bureaucracy and paternalism. This trend has developed so quietly that the people have hardly been aware of it despite its threat to our liberties, indeed to our very conception of government.

It is a trend that is of especial concern to business men, not only because it entails a waste of millions of tax dollars, but because it involves a ceaseless and ever-widening invasion of corporate

CONGRESSMEN are by no means blind to governmental extravagances. But what are the author and his colleagues to do when every mail brings them letters from home demanding new services? The article beginning on page 26 reveals what happens when a government attempts too many services for its people

and individual rights. An inevitable accompaniment of bureaucracy is a lust for inquisitorial powers and the result is already visible in the swarms of agents, inspectors and other functionaries who prowl our land worrying, bluffing and exasperating individuals and corporations alike.

I recall the day in 1907 when Senator Joseph B. Foraker, in an outburst of indignation, made this statement:

"The little band of 167 special deputies, agents and inspectors on the pay rolls of the Government ten years ago

has been swelled to an army of more than 3,000!"

Were the old Senator alive to-day to see the continued expansion of that "little band" I'm afraid words would utterly fail him. Today the inquisitorial army of 3,000 of which he complained has grown to more than 20,000—nearly seven times that number. And this does not include the Secret Service, whose number and personnel are never disclosed, and numerous other governmental employees whose functions are definitely inquisitorial but who are not officially classified as agents, inspectors, examiners or investigators. I have not the slightest doubt that the army of those who might properly be included in the espionage class totals more than 30,000.

In the Department of Agriculture alone there are 3,112 inspectors and agents, and enough others whose work is investigational in character to bring the total to more than 5,000.

The Post Office Department has 534 inspectors; the Department of Justice

has 2,376 agents, 13 inspectors, and 158 examiners or investigators.

The Internal Revenue Service of the Treasury Department has 2,727 agents, while the Customs Service employs 198 agents, 2,758 inspectors and 257 examiners or investigators.

The Department of Labor reports 3,001 inspectors, and the Department of Commerce 1,257 inspectors, agents, investigators or examiners.

Bureaucracy hurts business

THROUGH this multiplicity of agents and inspectors and self-promulgated regulations, these Washington bureaus are putting innumerable fetters upon business, fetters which are already beginning to bind and hurt. There are business men in this country who even now are beginning to wish that they had looked after the preservation of their freedom while they still had freedom, for already they see a soft-gloved dictatorship, with its army of inspectors and agents, closing in upon them.

Examples of the domineering and exacting attitude which this bureaucracy is taking toward business men and others are plentiful. I know of an Indiana company which wished to manufacture a perfectly wholesome and nutritious food product and to sell it at moderate prices. But it is not permitted to do so—at least it cannot safely go ahead—until a Washington bureau authorizes it to. So far the permission has not been forthcoming. Such examples could be multiplied. They are natural results of bureaucracy and its attendant paternalism.

The fact that, so far, this bureaucracy has largely hidden behind the cloak of benevolence renders its growth no less dangerous, because history has repeatedly proved that bureaucracy is the entering wedge of tyranny. The bureaucratic dictatorship which is swiftly being set up, although benevolent now, must, unless checked, become more and more domineering as its powers increase and its position becomes entrenched. Unless we curb its growth, all of us will be getting, as some of us already are, orders from Washington as to how, when and where to conduct ourselves and our businesses. Already we labor under a multiplicity of laws which this paternalistic bureaucracy has fastened upon us in its constant search for new fields to invade.

Already we have bureaus whose activities range all the way from training grocery clerks to running railroads. How these bureaus, once established, grow can be illustrated by tracing the his-

tory of almost any one of them. Let's take, say, the Department of Agriculture's Bureau of Markets, or, to use its more recent name, the Bureau of Agricultural Economics.

This Bureau was set up through an Agriculture Department appropriation bill approved March 4, 1913, which carried \$50,000 for the new activity. In the Agriculture Department Appropriation Act for the fiscal year 1915, the new Bureau of Markets was given official standing and an appropriation of \$200,000. In the same year activities in connection with rural organization were placed with the new Bureau and a special appropriation of \$40,000 voted for that purpose. Also in 1915 the Cotton Futures Act, with an accompanying appropriation of \$150,000, was passed and its administration placed with the Bureau. Thus the total appropriation which the Bureau controlled grew to \$390,000.

For the fiscal year 1916, appropriations specifically for the marketing Bureau totalled \$484,050. The next year the Agricultural Department Appropriation Act included the \$250,000 Grain

reorganizations, the Bureau of Markets became the Bureau of Agricultural Economics. This Bureau's appropriation for the current fiscal year is \$5,731,336, or more than 116 times the amount it started with 19 years ago.

This is typical of the growth of government bureaus and commissions. They are rolling snowballs. Once, before the truth of this statement had so firmly implanted itself on my mind, I thought I had found a government commission that was not gifted with everlasting life. This was the National Screw Thread Commission, brought forth in 1918.

I was in the Press Gallery when the bill passed, and I gave three inward cheers because, tacked on the end of the act, was a clause limiting the life of the Commission to six months.

Fourteen years have passed since then and the National Screw Thread Commission is still going strong. It has attained a robust existence and an honored and permanent place in the Congressional Directory. Three times its life was extended. Congress got tired of this piecemeal business and finally made it a "continuing commission," so I suppose that the screw threaders will be with us from now on.

Ever more costly bureaus

EVERY year this growth and extension of bureaucracy continues, with our Government developing more and more into a great, overshadowing bureaucratic despotism that is breaking down local self-government, invading the field of private initiative and fastening burdens and restrictions on honest business. While we still have in Washington the great departments of Government which, presumably, exercise all executive functions, they now have been augmented by more than 40 commissions, boards, bureaus and independent establishments. These bodies have reached out in all directions, usurped governmental functions and now spend a billion dollars annually.

I was brought up in the hard life of a farm family, where every dollar gained was thrice earned by sweat and toil. It wrenches my economic soul to see these millions shoveled out of the United States Treasury for any old project and under any old pretext. I have an old-fashioned idea that money—even tax money—still represents sweat and toil, and that it is the duty of officials occupying positions of public trust to see that public funds are wisely and economically administered. That, I think, is good business and



"For more than 30 years I have observed affairs in Washington"

Standards Act and the \$50,000 Warehouse Act. The appropriation direct to the marketing Bureau was \$872,590, and the total spent by the Bureau \$1,172,590—a considerable jump from the modest \$50,000 set up only four years before.

By the fiscal year 1921, however, this Bureau's appropriation had doubled again and was \$2,538,709. Shortly thereafter, through one of the periodic

good sense and the only policy on which to found a happy and contented state.

To see how that policy has been ignored one needs to spend only a few minutes in the Division of Bookkeeping and Warrants of the Treasury Department. There he will find records which show annual peace-time appropriations skyrocketing from a billion dollars 15 years ago to five billions this year—from \$11 *per capita* then to \$38 *per capita* today.

How is all this money spent? I see answers to the question on every side here in Washington.

Razing good buildings

I SEE the eye-filling structure of the Post Office Department Building, a substantial eight-story edifice soon to be struck down—in its prime, so to speak—because its Romanesque style is out of harmony with the other public buildings being erected around it. Built in 1889 at a cost of \$3,241,326, it soon will be replaced by a \$10,300,000 structure with a façade more to the liking of the critics. This \$10,300,000 is part of the \$190,000,000 which Congress has appropriated for sites and erection of government buildings in the Mall Triangle in Washington—a sum seven times greater than our expenditure for the great empire we acquired through the Louisiana Purchase.

Over in the Library of Congress I see a display of incunabula, acquired through an appropriation of \$1,500,000, passed at the last session of Congress. When the bill was first proposed not more than a half-dozen members had ever heard the word "incunabula." The others rushed to dictionaries and found that it referred to "works of an early epoch; especially books printed before A. D. 1500."

After a brief and vigorous campaign, the owner of the books was in possession of a treasury warrant for the million and a half and the Library was in possession of a collection of old books, which only about one expert scholar in 50 can read.

I see 16 officers of the United States Army being detailed this year to attend the Graduate School of Business Administration at Harvard University at a cost to the taxpayers of \$600 each, aside from their salaries and allowances, and another officer of the Army being sent to the School of Journalism at Columbia University, at a cost of \$332.

Contemplating the northern and southern boundaries of our country on my office map I vision the million-dol-

lar-a-year waste going on along those borders in our overlapping customs inspection service and immigration inspection. Take the case of an American returning from Mexico. He arrives at a port of entry. A customs official steps up and asks him some questions about his luggage. Then an immigration inspector steps forward and asks him where he lives. Why couldn't one official ask both questions? There's no good reason that I know of, yet we continue to maintain two sets of officers all along our borders. That is just one instance of overlapping.

Then there are the 48 industrial alcohol plants to which we issue permits to manufacture alcohol. At each plant the Government pays employees salaries totalling \$7,075 a year. By a most liberal estimate, not more than ten of these plants are required to supply our needs. Simply by withholding permits from 38 plants the Government could save \$268,850 a year.

Other striking instances of waste and extravagance are found in the public printing. Going down into the basements of the Capitol and the House Office Building I see vast piles of obsolete, useless and worthless documents and cloth-bound books, more than a million volumes waiting to be hauled away by the junk man. In 1911 a similar accumulation of a million volumes was destroyed or virtually given away as junk. The enormous stocks now on hand represent accretions since that year.

Under the time-honored method of distribution, whenever the Government issues a book on "The Malformations of the Doodle Bug" all members of the House are assigned exactly the same number of copies, though some may live in districts which never heard of a doodle bug. Those members never draw their doodle-bug books out of storage and the unused volumes gather dust through the years until the junk man gets them.

The annual reports of the Government's department heads help to swell the mountainous accumulations. Experience shows that only about one-fourth of the total copies of an annual report are ever put in circulation. The remaining 75 per cent are dead for all time. The Agricultural Yearbook provides an example. Each member of Congress is allotted 677 copies valued at \$1.50 a copy on the Government Printing Office sales list. The Tammany Member, from the heart of New York City, gets exactly as many volumes as a member from Iowa. There are approximately 200 Congressmen who have no rural constituents, yet they are annually al-

lotted 135,400 of these books, valued at \$203,100. Actual cost of producing each volume is about 75 cents. Most of them are finally disposed of as waste paper, bringing two or three cents a volume.

Another instance is found in the publication, in beautiful memorial volumes, of the addresses made in Congress in memory of departed Senators and Representatives. These addresses are all printed in the Daily Congressional Record, which would seem to be about all that could reasonably be asked in the way of recognition of the departed. The custom of printing them in the memorial volumes for "gratuitous" distribution has grown up, however. In the Seventy-First Congress these volumes cost \$64,478.74. Deaths to date in the present Congress will entail printing of memorial volumes costing \$30,000.

Long-term extravagance

IT HAS been estimated that the waste in government printing entailed through this allotment system alone is at least \$200,000 a year. Since the existing method of distribution has been used for 36 years, the total estimated minimum waste is \$7,200,000—which just happens to equal the price we paid for Alaska. Secretary of State Seward was nearly run out of the country when he committed his indignant fellow citizens to pay such a sum.

The Government is honeycombed with numberless such extravagances, abuses and overlappings. Sadly enough, the fact is too generally overlooked that these things are all paid for by taxes, and that the only source of taxes is the people. Every cent of these tremendous costs must be paid for by the taxpayer's dollar.

What can be done to curb this extravagance, to halt this centralization and the rise of bureaucracy? The fight seems a hopeless one sometimes, but it is a fight that must be carried on. If we quit now, I believe in all seriousness that we and the country are lost. There are signs developing, however, that give hope that public opinion is belatedly arousing itself to the dangers of the situation.

This rising public opinion must become vocal. There will be no improvement until the people order their senators and representatives to stand for economy and to make war on bureaucracy. The reform that will save the country—if it is to be saved—will never originate in Congress. It must spring up among the people, and business men and their organizations can be of tremendous influence in the movement.

No Business Can Escape Change

★"NO chance for change in my business," you may say complacently. But don't be too sure. Take violins. After some 300 years, a radical change has come in their construction. Today, more than ever, there is a premium on alertness and initiative in the business field

THE robot office girl is with us in a device, cut in on your phone wire, which delivers any message you may desire to callers. It can handle a call every ten seconds. . . .

AN improved, lower-priced check signer has been developed for smaller businesses. Its signatures, said to defy forgery, can be affixed to 3,000 or more checks an hour. . . .

A NEW device, useful for marking and remarking in tool cribs, laboratories, stock rooms, permits writing on steel or glass with almost the facility of writing on paper. . . .

REMEMBER the old meat peddler? He's returning in modern guise, bringing a highly sanitary butcher shop, refrigerated display case and all, to your door *via* motor truck. . . .

A NEW solid-carbon-dioxide refrigerating unit for motor truck bodies permits accurate control of temperature. . . .

A NEW molded-pulp packing has been devised for products in glass containers. The molds, built to conform to bottle shapes, are said to speed packing and to insulate. . . .

A NEW noninflammable, highly transparent paper which is unaffected by changes in atmospheric conditions or temperatures is being used for wrapping and other purposes. . . .

A NEW portable electric safety lantern, approved by the Underwriters' Laboratories, has been developed for use in gasoline plants and other hazardous locations. . . .

BASIC parts of wood frame construction are standardized, cut ready for assembly, in a new system of interlocking fabrication. Advantages: speed, flexibility, economy. Such a house can be moved and rebuilt on a new pattern. . . .

AN IMPROVED fastening, for applications ordinarily calling for hot or cold rivets, or for body-bound bolts and locking devices, is driven in with hand hammer, tightened with a wrench, eliminating air hammers and their noise. . . .

ANOTHER noise diminisher is a rubber-covered milk bottle carrier, in which soft rubber is caused to adhere directly to the metal. It is durable, washable, can be sterilized. . . .

A NEW goggle, equipped with a special glass hardened to withstand impacts, permits wearing of eyeglasses. . . .

A NEW type of wall covering, a composition of cork, pigments and linseed oil keyed to a fabric backing, is said to be waterproof, washable, economical and durable. . . .

THE effect of wood-panelled rooms is achieved by use of a new gypsum wallboard grained to resemble wood. . . .

ANOTHER material, now available in wood or marble finish, consists of sheets of paper or cloth treated with phenolic resins and subjected to heat and pressure. Metal hard, it's also used for gears, acid troughs, table tops. . . .

A NEW door closer, developed for hollow metal doors but usable on certain wooden ones, is concealed in the door. . . .

A NEW aluminum, roller-bearing wheel-barrow weighs only 37 pounds, has a capacity of three cubic feet of wet concrete, four to five cubic feet of sand. . . .

A RECENTLY developed fire brick is non-spalling, non-shrinking, resistant to slag action and has high load-bearing qualities. A special mortar is used in laying it. . . .

A SERIES of recently developed protective coatings, each designed to combat a specific corrosive action, has a base of pure rubber in solution. . . .

BY A NEW process, artificial wool is made from jute. Cost is slightly less than 20 cents a pound. Low price of wool makes the process unprofitable just now. . . .

CHANGE has overtaken the violin and its big brother, the bass violin. Now they're being made of aluminum. Unaffected by atmospheric changes, their tone quality and volume are said to equal the old. . . .

—PAUL H. HAYWARD

EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on items mentioned here, which are of interest in connection with your own business, can be had by writing us.

Ten Governors Discuss Taxes

A Close-up View of Financial Conditions in the States



IT IS a commonplace that public interest in the cost of government has increased as the burden of taxation has developed. What is not so clear is that the question of balancing the budgets—national, state, and municipal—is no longer confined to the political and academic realms. In a very real sense taxation has become the citizen's business and he is showing that he is not content to leave the decisions wholly to his official representatives. He is asking questions because he is seeing that the expense of government functions and activities must be paid for out of his own income. What is necessary to the welfare of the citizen, what will it cost, and how shall the money be raised are questions of the hour.

NATION'S BUSINESS has had much to say about the fiscal affairs of the national government. A report recently issued by the Census Bureau gives timely

point to the financial situation of the state governments. This report on the 1930 financial operations of state governments shows that, from 1917 through 1930, *per capita* revenue receipts rose from \$5.14 to \$18.39. In the same period the total cost of state government increased from \$517,500,000 to \$2,290,270,000, or 442 per cent.

It is significant of a trend that 60.7 per cent of the 1930 cost of state government was spent for operation and maintenance of general departments while only 4.4 per cent went toward interest on debt. From 1917 through 1930, the net debt rose from \$446,854,000, a *per capita* debt of \$4.39, to \$1,833,428,000, a *per capita* debt of \$15.03.

To get a localized commentary on these figures NATION'S BUSINESS asked several Governors to give their views. Their articles follow:

Guarding Maryland's Credit

By Governor ALBERT C. RITCHIE

MARYLAND'S financial status is extremely good, and the state is given an authoritative credit rating of 100 per cent, which, I am told, is enjoyed by no other state, and by only one municipality—Milwaukee.

Maryland's assessable basis is \$2,830,000,000 and its net state debt is \$29,635,000, or 1.04 per cent of the basis, whereas seven per cent is allowable. When the present fiscal year began—October 1, 1931—Maryland had an unencumbered surplus of \$3,600,000. The appropriations budgeted for this year total \$32,800,000, so that we started the year with a balance of one-tenth of the amount needed for the whole 12 months. We can foresee no contingency which might impair an amply sufficient surplus at the end of the year.

In February, Maryland was able to market \$2,122,000 of its bonds, bearing 4.25 per cent interest, at a price of 96.27, to yield 4.75. This was done at a period when the market for securities was so limited that many municipalities were unable to sell their securities. Last August Maryland received 107 for its bonds, to yield 3.39. The state's financial position is as good today as then. The great excess of public securities offered and to be offered alone prevented us from obtaining at least par in February.

Maryland's high credit position was not attained overnight. It is the result of years of effort to work out a sound financial system to promote economy and to keep state ex-



Governor Ritchie

penditures within the limits dictated by careful estimates of the state's prospective income.

This has been accomplished through the state's budget system, written into the Constitution by an Amendment adopted in 1916. This system went into effect in 1918, and Governor Emerson C. Harrington prepared the budgets of 1919 and 1920. Since then the task has fallen on me.

The Amendment requires the Governor to submit an executive budget to the Gen-

eral Assembly at the beginning of each legislative session. The budget covers two fiscal years. The assembly may reduce or eliminate any item but it cannot increase an item or add new items. The assembly cannot appropriate for any purpose not embodied in the budget bill until both houses have passed the bill.

Any appropriation bill then passed must provide the tax necessary to produce the amount of the appropriation. In practice, the assembly rarely avails itself of this privilege.

Another factor which has contributed to Maryland's satisfactory financial status is the provision in the Maryland Constitution that state bonds may not be issued for a longer period than 15 years, and the practice of issuing them under the serial annuity plan, under which a portion of the issue is retired every year.

The carrying charges on our bond issues are provided by

a direct tax on real and personal property. The bonds are issued for capital improvements only. Our former policy of constructing state roads out of bond issues has been abandoned and the proceeds of gasoline taxes are now used for construction as well as maintenance.

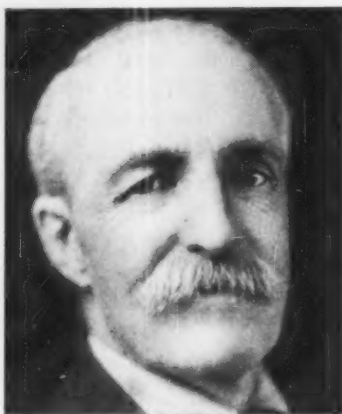
The accumulation of a surplus means that appeals for appropriations from state departments and institutions must be thoroughly scrutinized and, where not necessary for the proper conduct of the government, denied. The pressure on a Governor with sole budget-making power to expand this or that activity or to commit the state to new activities is tremendous and because of the sincerity and honesty of well-intentioned people interested in particular projects is difficult to resist.

In the past six years, however, I have refused budget requests for appropriations totalling \$11,100,000 and I have denied or postponed new construction that would have meant additional bond issues aggregating \$31,000,000.

This sort of thing must be done, however, and future eventualities must be carefully considered—as when in preparing our present budget out of abundant precaution I counted on no increase in tax assessments at all, although seven per cent had been usual, and wrote off \$40,000,000 from the assessed value of securities.

The result of all this has been that, without curtailing or hampering any essential state activities, the Maryland state tax has been reduced from slightly more than 36 cents per \$100 to 25 cents for the present fiscal year.

This is a decrease of 30 per cent.



Governor Pinchot

Pennsylvania's Work Increases

By Governor GIFFORD PINCHOT

WHILE the Census Bureau's figures are subject to a certain percentage of error there can be no question that state expenditures have greatly increased in the past 20 years. We are now spending something like four times as much as was spent 20 years ago. But, although that is true, we need much more than figures to draw any conclusions. To have any basis for judgment as to whether or not costs of state government have risen needlessly, we have to compare the functions which were exercised 20 years ago with those of today. Also, we have to know a great deal about the subsidies which the state is giving to local districts, thus taking over expenditures which would fall upon the local districts were it not for the fact that the state collects the money through taxation and turns it back to the local districts for schools, roads, welfare purposes and so on.

This state's appropriation for the Department of Public Instruction illustrates what I mean.

In the period 1912-1914 we spent \$20,200,000 for education. During the present biennium we shall spend \$93,000,000. In the intervening period the school subsidy system has developed. In 1912-1914 the subsidies to public schools amounted to \$15,000,000. During the present two-year period the subsidies will amount to \$60,000,000. Larger grants to

colleges and universities have become a settled policy, and the censorship of motion pictures and the licensing of practitioners of about 16 different professions and pursuits has been undertaken.

Altogether the appropriations for education amount to \$93,000,000—nearly one-half of our entire general fund. Of this only \$900,000 is used for overhead, or slightly less than one per cent of the total. The State collects money from taxes and pays it out in cash to schools and colleges and teachers' pensions. The same is true of welfare and of highways. These functions take 83 cents out of every governmental dollar.

In this state, we have taken over from the townships 20,000 miles of roads to be built and maintained by the State, thus relieving the local districts of that important expense and also relieving the property taxpayers. During this present biennium we shall spend \$130,000,000 on roads—\$143,500,000 when we add the interest on road bonds. In

1912-1914 we were spending \$11,000,000. Automobile transportation and road improvement and maintenance, of course, have accounted for this increase. It is plain to see here how one technological development has brought about the biggest single increase we have in State expenditures.

One other illustration of how government costs increase with new functions or the expansion of functions:

We have a Department of Labor and Industry and a Department of Mines which we might class under industrial regulation. We are spending more than four times as much as we spent in 1912-1914. From \$740,000, the cost has grown to \$3,575,000 but the growth in duties has been remarkable. We now have a Workmen's Compensation Act and free public employment offices. We now have the work of rehabilitating victims of industrial accidents. There is the regulation and inspection of bedding and upholstery, elevators and boilers, and the enforcement of laws relating to women and children in industry. These are some of the increased functions. An analysis of any of the state functions will show this expansion of functions and increase in State expenditures cannot be considered without such an analysis.

Whether or not state expenditures can be materially reduced or kept from increasing will depend largely on the state's policy in giving subsidies to local districts and relieving the local districts of the tax burden. Surely that is true in this state.

At a time like this, expenditures can be decreased somewhat along with decreasing costs for the things the state has to buy and certainly such decreases should be made. Rigid economy should be practiced. But, in considering state costs, we must remember that, during a depression, unlike a business concern, the work of the state increases rather than decreases. We have a smaller appropriation for all of the state's work during this biennium than during the preceding biennium and we have a great deal more work to do. To do that work with a smaller appropriation requires economies all along the line.

Ohio Watches Expenditures

By Governor GEORGE WHITE

THE depression has focused public attention sharply upon the problem of governmental finance. While times were flush most of us complaisantly watched public expenditures increase. We spent lavishly ourselves and rather

expected government to do the same. In 1910 the *per capita* cost of state government in Ohio was \$2.53. In 1930 it had increased to \$13.81. Yet new state activities were continually being bruited and our budgets annually increased.

Ohio has long pursued a "pay as you go" policy. With the exception of a small charge to retire a bond issue for the soldier's bonus—now about finished—we have no debt service. Our state income is entirely free for the payment of our current bills.

Yet with all this in our favor, our total state expenditures increased from a little more than \$12,000,000 in 1910 to almost \$92,000,000 in 1930. In the same time our population increased from about 4,750,000 to about 6,750,000.

Shrinking revenues and difficult tax collections have brought the problem home to all who have to do with public funds. The people continually insist that Government do for them more and more of the things which they used to do for themselves. Community life begets community functions while the extension of education and communication tends to make single communities of wider and wider areas.

But the maintenance of these overexpanding state functions entails mounting expenditures and a constant search for new sources of public revenue. Direct taxes on property, long the mainstay of governmental finance, are no longer able to support the burden. The state and nation vie with each other in taxing our incomes and our activities. The proper allocation of subjects for taxation, as between the states and the nation, has become one of the most pressing, as well as one of the most perplexing, problems. Careful study should be given to the question of what sources of revenue should be taxed by Federal Government and what sources should be left to the states.

Meanwhile, however, the shrinkage of public incomes raises the practical question: Shall we balance our budgets by taxing something new, or shall we try to keep our expenditures within the income we still have?

Our experience in Ohio leads me to believe that the possibilities of the latter course have been only dimly explored. Periodical, even continuous, checking is needed to eliminate dead wood and obsolete functions. But this check-up is hard to get. An officer or employee who has been in a section or division very long generally comes to regard its methods as the best obtainable. Scrutiny from the top or from the outside is usually necessary for improvements. With the proper scrutiny backed by determined action much can often be done.

At the beginning of my administration, the new legislature was presented with a budget calling for expenditures approximately three times as great as those of our state government in 1920. In line with my urgent recommendations, the legislature scaled down this budget by twelve or thirteen millions. But even this left us in grave difficulties, for the total authorized expenditures exceeded our total estimated revenues by seven or eight millions. How were we to balance the budget?

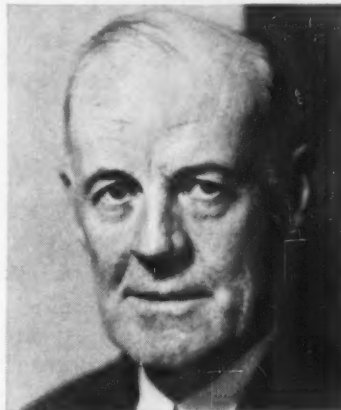
There are only two ways to balance a budget—increase the income or decrease the expenditures. We chose to cut the expenses. We introduced various economies. Expenditures for automobiles and equipment, for example, were cut

nearly \$800,000 in 1931. We asked each department and institution to keep its total expenditures for 1931 within 93 per cent of its respective appropriations. By such means we were able to get through the year without suspending any regular payments. But we spent nearly \$10,000,000 less than was spent the year before and we carried forward to the new

year \$3,500,000 less in obligations than we inherited.

When we got near the end of the year we checked up again and concluded that we should have three or four millions less to spend than we had originally thought. This intensified our problem, but we met it the same way. We increased the seven per cent cut to 15.

I believe we have been able to maintain and will be able to continue all es-



UNDERWOOD AND UNDERWOOD

Governor White

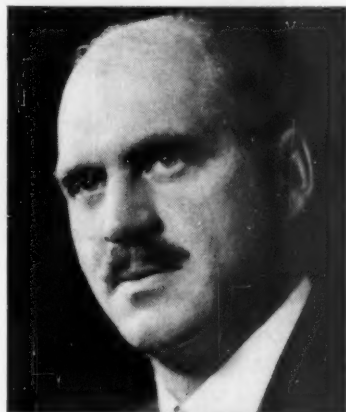
sential services on the revenue we have. Where we have to cut, we are trying to curtail those activities which are merely desirable, and to preserve those which are necessary.

What we are trying to do in the state government could, I believe, be more generally done in the local subdivisions of any state. It can, I suspect, be tried with profit in the Federal Government. I am glad to notice a beginning in that direction. A good deal of the taxation problem is not a problem of revenue; it is a problem of expenditure. It is time we turned our attention critically to this phase of it.

State and local governments everywhere face a serious problem resulting from widespread unemployment. Thousands of families are compelled to come for relief to the agencies of charity. State governments are being importuned for emergency relief; nor is the Federal Government exempt from this demand. Hungry men are an emergency, and we may have to depart from our theories of normal financing to meet it. But here again, I believe we should

scrutinize the crystallized processes of charity organization. Before we take from a business, already in the red, an additional levy, even for the relief of the poor, we should be sure that the funds already in hand are being spent in the wisest way. Perhaps some of our charitable activities, proper in normal times, should be suspended or minimized to meet more pressing needs. We must not needlessly impoverish those who have to give to those who have not.

Government is only an agency for spending the people's money. It is given money to spend only because the people believe it can provide for them certain services better than they can provide those services for themselves. Every dollar it takes from them leaves that much less for them to spend. Most of us are having to practice economy. Government should be no exception.



UNDERWOOD AND UNDERWOOD

Governor Gardiner

Maine Reorganizes

By Governor WILLIAM T. GARDINER

THE mounting cost of government has given concern to the citizens of the states and Maine has reason to be proud of her present position and the steps taken to ob-

tain more economical and efficient state administration. The state's cash balance today exceeds the average at the corresponding period in the past four years. Taxes for 1931 have been collected practically in full. The state's bonded indebtedness, incurred principally for highway and bridge buildings, is less than \$28,000,000, representing four per cent of the state valuation. The highway and bridge bonds are self-liquidating from automobile license and registration fees and gasoline tax revenue. The automobile receipts alone total more than \$3,000,000 a year and the amount required for interest on, and maturities of, bonds varies from an annual charge of slightly more than \$1,000,000 to less than \$2,000,000.

Proof of the good credit of the State was shown last summer when 3.5 per cent bonds were sold above par.

A significant step has been taken in the past year in the restoration with actual cash of about \$1,000,000 of the depleted trust funds of the state. Most of these funds were set up many years ago and, although spent for legitimate purpose, the principal amounts of the funds dwindled out of the Treasury. The state has kept faith with the book balance and paid theoretical interest. The situation in a way represented unfunded indebtedness. The present administration which came into office in 1929 was concerned with this situation, legislation was provided and now the funds have been fully restored. This represents a significant step in the establishment of a sound financial policy.

Increasing state expenditures in recent years led to a careful study of the possibilities of improving state administration, and the 1931 Legislature passed "An Act Relating to the Administration of the State," providing for some consolidation and reorganization including central purchasing and centralized accounting. The Act became effective January 1. A few months have amply demonstrated the need for such legislation. Better budgeting, work programs, quarterly allotments and the possibility for the development of a real financial policy will greatly strengthen the financial management of Maine's business.

West Virginia Cuts Expenses

By Governor WILLIAM G. CONLEY

IN 1921 this state established a State Sinking Fund Commission to administer the interest and sinking funds for all bonds issued by any of its political subdivisions. The state supervises the laying of interest and sinking fund levies and pays the interest and bonds at their maturity. This legislation has resulted in the state not having a default or slow interest and sinking fund payment in any of its bonds or in any of the bonds of its political subdivisions, notwithstanding the present business depression.

In 1930 the state realized that it faced a considerable slump in its general revenues and set about to meet this contingency. It was estimated then that, with the business depression, the State would have at the end of the fiscal year June 30, 1931, a deficit in its general revenues of from \$1,750,000 to \$2,000,000. To meet this situation the State reduced the general revenue expenditures for the present bi-



Governor Cross

HALEY

ennium \$3,347,000 under the expenditures of the preceding biennium.

The general revenue appropriations for the biennium ended June 30, 1931, were \$18,336,000; the appropriations for the same purposes for the biennium ending June 30, 1933, were fixed at \$14,989,000, a reduction of 19 per cent. In addition to this reduction in appropriations, the Executive Department with the cooperation of the heads of the several state institutions, will have further reduced the expenditures approximately \$400,000 during the biennium ending June 30, 1933. Further, some departments of the State Government at the end of each fiscal year of the biennium have arranged to revert into the state treasury part of the funds appropriated for their maintenance. The state sought to meet the conditions by reduction in expenditures rather than by raising additional revenues.

The State is today keeping her expenditures within current receipts and, under present business conditions, it is believed that the deficit which existed at the beginning of the biennium will not be increased. With an improvement in business conditions the deficit would be materially curtailed or eliminated.

General property taxes in West Virginia, including those levied by its political subdivisions, for the last fiscal year ended June 30, 1931, show collections, after allowing for delinquencies, exonerations, and discount of two and one-half per cent for prompt payment of taxes, of approximately 90 per cent of the gross assessment.

Expenditures by states covering governmental cost payments for operation and maintenance of general departments for 1929, the latest available figures compiled by the United States Department of Commerce, Bureau of the Census, show average *per capita* cost for all states \$10.75; for West Virginia \$8.84. Thirty-six states show a higher *per capita* cost than West Virginia.



Governor Brucker

An earnest effort is being made to reduce levies all along the line, with some measure of success. The total property taxes for state, county, district, and municipal governments in West Virginia aggregated \$50,657,489 for 1931. Of this sum, 51.5 per cent was spent for local schools; 30 per cent for county government; 11.4 per cent for municipal government; 1.9 per cent for the new Capitol building; 1.6 per

cent for state aid to local schools; 1.5 per cent for the Virginia Debt; three-tenths of one per cent for expenses to local courts; three-tenths of one per cent for salaries and expenses of circuit judges; and only 1.5 per cent for state government. From this it will be noted that taxes raised from property contribute a very small portion of the expense of the state government, it being maintained from the revenues received from the gross sales, charter, insurance and inheritance taxes, and from fees.

All governments in this country are constantly growing more paternalistic. This means higher taxes and tends to lessen self-reliance and energy.

(Continued on page 64)

How Business Views the Budget Crisis

By SILAS H. STRAWN

President of the Chamber of Commerce of the United States



THE FEDERAL revenue measure is now in the making in Congress. Fully appreciating the difficulties of Congress' task, organized business takes the position here outlined on the various proposals and provisions advanced

and to \$107 *per capita* in 1929, the latest year for which figures are available. Clearly, in view of these facts, there can be no justification for maintaining governmental activities which are not essential.

While Chamber members have declared that the first step toward a balanced budget should be elimination of all avoidable items of expenditure, they have also declared that the second

RECOGNIZING that the great revenue measure now before Congress must inevitably lay its chief burdens upon business activities, sound logic and sound economics demand that our lawmakers should make those burdens as light as possible. No avoidable handicap should be laid upon our mines, our industries, our agriculture, our channels of distribution, because upon the development of these and other economic activities we must depend both for employment of our unemployed and for future revenues to maintain our national government.

It is a formidable task which Congress faces in the framing of this measure. An amount in revenues which proportionately exceeds even the war-time tax levies must be raised, and this with the least possible obstruction to the development of the country's economic activities, now so essential. The difficulties of the problem are fully recognized, I believe, by the business organizations and individuals which comprise the Chamber of Commerce of the United States.

Close study of the situation by the Chamber's committees on federal taxation and on federal expenditures has brought those difficulties into higher relief and at the same time has strengthened the conviction that they must be met. Almost unanimously—by a vote of 1,173 to six—member organizations of the National Chamber have taken the position that the federal budget should be balanced. Beyond doubt, this is the position of business men's organizations throughout the country.

But with almost equal unanimity—a vote of 1,173 to nine—National Chamber organizations have declared that the first step toward achieving this balanced budget should be, not increased taxation, but decreased federal expenditures. That there is not only opportunity but pressing need for such reduction is evidenced by the fact that the 1933 budget calls for \$400,000,000 more for the ordinary operations of the Government than did the 1924 budget.

Still another consideration which demands a first attack upon federal expenditures is the tax burden, federal, state and local, which citizens are already carrying—a burden which grew from \$30 *per capita* in 1913 to \$96 *per capita* in 1924

step should be increased taxation. Of the 1,157 organizations which have recorded their position on this latter question, all but 54 have voted for such taxation. They have voted with full realization that the taxation would fall chiefly upon business activities.

They have taken this position, however, upon the assumption that taxes would be levied for revenue purposes and not for ulterior objects, and that equitable distribution would be sought. In so far as the revenue bill which is finally enacted embodies provisions that depart from the use of the taxing power to raise revenue it will have a detrimental effect upon the general business situation. To that extent it will be inconsistent with the task before Congress and the country of aiding recovery in all the fields of American enterprise.

Let us look at some of the tax proposals before Congress at this writing, from the viewpoint of our business organizations, as expressed in their own deliberate judgment and in the deductions which I think I can accurately draw therefrom.

"MEMBER organizations of the National Chamber have declared that the first step toward a balanced budget should be, not increased taxation, but decreased federal expenditures"

First, the corporation income tax. This tax has, since the war, been kept at a rate so much above the rate on individual income that there has been a penalty upon this characteristic form of business enterprise. Yet, the present House bill would increase that rate from 12 per cent to 13.5 per cent. Such a rate means severer taxation than was imposed upon corporations in war times and for war purposes. The increase exceeds the moderate increase which most of our members voted in our referendum to support, although no less than 294 organizations stated their conviction that this rate should not rise above 12 per cent. Thirteen per cent should be considered the maximum, I should say, and should be used only in the event of necessity.

The House bill further would impose a rate of 15 per cent upon corporations filing consolidated income tax returns. Present strict limitations permit the filing of returns of this

character only if the corporations involved form a true economic unit. The earnings of corporations forming such a group, of course, cannot be determined by the earnings or loss of one, but only by the aggregate for the group. For the guidance of officers, for the information of stockholders, for statements to be used for credit information, and for every other normal business purpose, earnings must be consolidated. This provision in the House bill would thus impose a penalty upon a normal and desirable business procedure. Corporations affected could avoid penalty only by additional administrative costs in allocating inter-company charges and credits. Every consideration would seem to support the elimination of this provision from the bill.

Double taxation

ANOTHER provision of the House bill which should be eliminated is that which would subject dividends in the hands of stockholders to the normal income tax. Its effect would be disproportionately heavy upon small stockholders and upon stockholders in small corporations. It would also tend to create an unsound financial structure in corporations, since an undue preponderance of bonds would have to be used. The corporate financial structures which would be encouraged would lead to widespread disaster in times of business depression. The immediate effect would be substantial depreciation in the value of all outstanding stocks.

As to individual income taxes, a large proportion of our organization members have recorded their support of the broadened base provided for in the House bill. They also support—with only 89 dissenting ballots—the increased normal rate on individual incomes.

By the same large vote, member organizations of the National Chamber support a moderate increase in the surtax rates applicable to individual incomes. In this vote our members undoubtedly have contemplated rates which would increase revenues. A large part of our membership would undoubtedly question the maximum rate provided in the new bill, however—40 per cent as against the present maximum of 20 per cent—on the ground that instead of producing revenue it will tend to produce a shift of capital, otherwise available for the maintenance and development of business activities, into tax-free securities. Of such securities there is an abundant supply. This tendency would also be accelerated by the imposition of the normal tax upon dividends, already discussed.

The appropriate increase in surtax rates will probably depend upon the other rates upon which Congress decides, but it cannot be urged too strongly that care be taken to avoid throwing upon our overburdened securities markets additional loads of securities to be sold in order to transfer funds into tax-free securities.

Another provision in the House bill which would seriously affect resources at the disposal of business enterprise calls for new taxes upon the transfer of stocks and bonds. These are calculated to restrain a free market for securities, and thus will cause depreciation of existing stocks and bonds and also raise obstacles in the future. This provision cannot have

"CHAMBER members have declared that the second step toward a balanced budget should be increased taxation, fully realizing that this taxation would fall chiefly upon business activities"

a revenue purpose and therefore should be omitted. The House bill also discriminates against securities as a form of property, by allowing losses from the sale of investments in securities to be deducted only from gains in transactions in securities. This discrimination against one form of capital investment can also have no revenue purpose, and should be eliminated.

Going further into the subject of capital gains and losses, our members believe that the tax rate on capital gains, and the corresponding deduction allowed for capital losses, should be reduced to a low figure. The general reduction in capital values means that for the time being capital losses in the aggregate will exceed capital gains. Consequently, a reduction in the rate would now save revenues to the Government.

On the score of net losses, the House bill suspends for two years the present provision which allows a loss in one year to be charged against earnings in the two succeeding years, if necessary to absorb the loss. This present provision preserves the integrity of a business enterprise and recognizes the fact that true earnings of a business enterprise are not usually demonstrated by the result for a single twelve-month. Now, in view of the emergency need of revenues, it may be justifiable to limit the charge of a loss to the earnings of the succeeding year. Entire elimination, as is proposed, however, would mean unfair taxation of true earnings.

Hurting foreign trade

ANOTHER unfair feature of the House bill is the provision affecting credit for taxes paid abroad. A business in the United States can have no net income for purposes of federal taxation until it has paid its expenses of operation, including its taxes, domestic and foreign. The provision referred to, however, would make a discrimination against taxes paid to other countries, permitting their deduction only in certain ways. The consequence would be that some taxes paid abroad could not be deducted. The provision would have a detrimental effect upon our foreign trade, which the public interest certainly requires should be encouraged.

Still another undesirable, and, I believe, unintended, change from existing law lies in a provision affecting life-insurance corporations. A system of taxation for such companies gradually has been evolved which produces the same revenue to the Government in bad years and good years alike,

"IN SO FAR as the revenue bill which is finally enacted departs from the use of the taxing power to raise revenue, it will have a detrimental effect upon the general business situation"

regardless of the current results of operations. The House bill, however, by increasing the rate from 12 per cent to 13.5 per cent, and by reducing the deduction in reserves from four per cent to 3.5 per cent, according to figures which have now been collected, increases the tax on legal reserve life-insurance companies by approxi-

mately 112 per cent. The nature of life insurance and the public importance of the stability of life-insurance companies in times of depression would seem to make such a discriminatory increase contrary to public policy.

Turning to estate taxes, National Chamber member or-

(Continued on page 74)

Research to Aid Employment

By E. J. MacEWAN

Secretary, Morristown, N. J., Chamber of Commerce

WHEN A crisis is at hand in any fundamental industry, the first thing that industry usually does is turn to science. The basic commodity is sent to the laboratory and analyzed. Eventually word comes that new uses have been found that will revolutionize the entire industry.

Labor is perhaps the most basic of all commodities and yet, after two and a half years of the most intense anxiety, it has not been taken to the laboratory to be analyzed. Possibly this is because the laboratory doesn't exist. Whatever the reason, the fact remains that we still think of labor in terms of factory workers, plumbers, clerks, mechanics, and so on. Until we find new uses for our chief unused commodity, we will continue to face the same problem that now exists.

We Americans have always been proud of our "Yankee ingenuity." Perhaps that is the reason why a confidential communication the other day disclosed the existence of what appears to be the first experimental "Employment Laboratory" in the United States.

The findings of this "Laboratory" may be briefly summed up as follows:

It found seven brand new permanent jobs with employers who swore that they could not under any conditions use more of the commodity called "labor."

No charitable appeal was used to sell the employer; a new idea in labor usage was the only excuse. Sixteen new uses for labor were thought of. Only seven of these have so far proven successful; but only four hours time was used to list 16 potential uses and only a day



CHARLES DUNN

Scientific inquiry might develop new employments hitherto unheard of

HERE is a new suggestion for meeting the unemployment problem. It is based on the idea that labor has many uses which have not yet been discovered. A brief search in one community showed 16 such uses. You can think of others

was consumed to sell these uses to employers who purchased more than \$8,000 worth of labor.

The first man was placed with what might be termed a "master" service station. When a customer telephoned to ask that his car be serviced, this station took a man off a job and sent him to get the machine. The workman would go to an office, for example, to get the keys of the car. He would be dirty, greasy, and leave the impression that unusual service was being given because the car was called for and delivered. We gave the proprietor the idea of hiring a young man, putting him in a smart uniform and letting him canvass

stores and offices as well as call for and deliver cars. The conspicuous uniform with the name of the service station on the cap and breast of the coat gave the plan an unusually fine advertising value in addition to the actual work which the young man brought in. It was necessary that the entire details of the plan be presented to the employer, but he was easily convinced and the results will speak for themselves.

Doorman and guide

THE second man was placed with a Colonial Restaurant. He was dressed in a Colonial uniform with a musket and put on "sentry duty" in front of the restaurant where he combined the duties of doorman and guide to the many large parties who came to the restaurant before visiting the historic places in our community. This job also had advertising value as well as providing service to customers. The proprietor was readily interested and the plan is proving effective.

The third job was with a camera shop which sold all kinds of cameras, supplies and did photo finishing work. The idea was to place an unknown person on the streets to "snap" the pictures of more or less prominent citizens. Enlargements of the photos are mailed with a card of the camera shop, to the individual whose picture was taken. Small photographs are placed in the window and a roll of film offered to each person guessing the names of all the individuals photographed that day. The man hired is advertised as the "Phantom Photographer." The camera shop owner has increased his newspaper advertising and

(Continued on page 68)

Confessions of a Capitalist

ILLUSTRATIONS BY EARLE B. WINSLOW

★ **SOME** of the secrets of big business are explained in this article by a well-known business man who draws examples from his own career to support his view that capitalism is the only practical economic plan. Here he gives you some of the reasons why Utopian theories fail when put into actual practice in business life

PART IV · Who Takes the Risk?

ONLY once in my life have I indulged in a real gamble in which the risks were heavy and the game was one of which I had no particular experience. All business is, of course, to some extent a gamble, but the word cannot be applied properly to risks taken in ordinary trade by persons qualified to estimate them.

The occasion was a naval demonstration which aroused so great a popular interest that scores of excursions were arranged. The demonstration was to continue for a week and railroads and steamship companies cooperated in providing inexpensive accommodations for those who desired to attend. The price of these excursions was standardized at about a dollar.

My idea was to provide accommodations for those who were willing to spend more money and thus avoid the discomfort of the popular excursions. I believed there were enough of these people to make such a venture pay. My forecast proved right. I not only made money but I gained valuable experience. I learned, for instance, that cheapness is not always a necessary feature in a successful transaction. But the experience which has been of the most value to me lay in the negotiations for the steamer which I chartered for my cruises.

Thoroughly believing in the

value of competition, I went to half a dozen ship brokers and agents and told them my requirements. I expected them to produce, one after the other, steamers for my inspection, each cheaper than the last. But I overlooked the fact that the supply of steamers suitable for my purpose was limited. As I learned afterward, there was in fact only one adequate vessel available in those waters. My agents all fastened upon her; all bid for her; and all were informed that she was much in demand. The price for a week would be \$4,250 plus the victualling of the crew, coal and insurance.

I had, in fact, made a market against myself. I believe now that I could have had the craft with victuals and coal and insurance for \$2,500 had I but grasped more completely the workings of "competition." I did not until then realize that there may be competition to buy as well as competition to sell.

It remains to explain how I, a young publisher with all I possessed sunk in my own business, and carrying, in addition, a heavy debt, was able to undertake a venture involving formidable risks and sums which were, for me, distinctly large.

In view of my financial responsibilities I sought out a relative who was more fortunately placed and we went into partnership. The terms were simple—I was to do all the work, he was to put up the money and we were to share the profits. He took all responsibility in the event of loss.

The business was conceived and carried out in less than three weeks. Most



I have never before or since done such a week's work. I had my clothes off twice in seven days. When it was over, our profit was about \$10,000



THE NEW SEDAN DELIVERY **\$575**

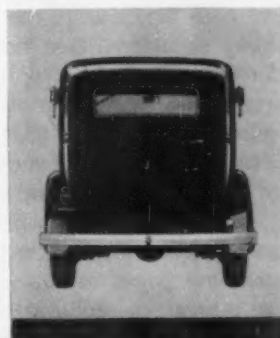
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ANNOUNCING A NEW SEDAN DELIVERY Styled by Fisher . . in the modern manner

Chevrolet now presents a new six-cylinder sedan delivery, with all of Chevrolet's characteristic speed, power, stamina and economy, *and with the added distinction of ultra-modern Fisher styling.* The impressive front-end ensemble is plated in sparkling chromium. Adjustable hood ports and five handsome wire wheels add a welcome touch of custom-car refinement. And the wide, inset side panels are illuminated at night by coach lamps of distinctive modern design. The deep-cushioned driver's seat is instantly adjustable, controls are conveniently placed, and

equipment includes a rear vision mirror and an automatic windshield wiper. Behind the driver's seat stretches an exceptionally large load space, thoroughly insulated against dust and weather, and supplied with a dome light. The engine is Chevrolet's famous valve-in-head six, combining built-in smoothness and quietness with unexcelled operating and upkeep economy. With the quick-shifting, quiet Syncro-Mesh transmission, it assures maximum driving ease. The new sedan delivery is priced at one of the lowest figures in the market.

CHEVROLET MOTOR CO., DETROIT, MICHIGAN
Division of General Motors



This view shows the exceptional width of the rear door. This door, as well as the right front door, has a special theft-proof lock, a protective device which permits the door handle to turn when the lock is on, and thus prevents forcing. From the rear the panel lamps show a red light.



CHEVROLET

SIX-CYLINDER PASSENGER CARS AND TRUCKS

When visiting a CHEVROLET dealer please mention Nation's Business

of the actual work was done in seven days. I have never before or since done such a week's work. I had my clothes off twice in seven nights. The staff of the syndicate consisted of two clerks borrowed from my business. A room was hired and two telephones installed.

There is no need to tell the story in detail. We encountered many difficulties but we surmounted them and at the end of the week my partner and I divided profits of only a little less than \$10,000.

Profit without capital

MY purpose in telling this story is to discuss its economic implications, to discover to what extent I was justified in making this large sum of money, and whether good or harm resulted. From the Socialistic point of view my partner would perhaps be considered a greater sinner than I. He did no work. He received \$5,000 simply because he owned a little money and was able to shoulder the risk of the enterprise. His case is rendered blacker still from the interesting circumstance that, from beginning to end, he did not part with a single penny.

He had agreed to put up any money that was needed, but, as things turned out, the money from the sale of tickets began to come in before we had to pay any of our liabilities. The syndicate, therefore, carried through its affairs without in fact possessing a single cent of capital. And yet the enterprise depended entirely upon him.

Without the existence of someone who could and was willing to risk the loss of \$25,000 the trips would never have been available to the public. My partner shouldered that risk.

From my point of view the most important result was that it transferred a purchasing power of \$5,000 from the pockets of some thousands of people into my own. That would not seem to be any great public benefit. Some importance, however, did attach to it. This purchasing power in the pockets of a large number of people was, of course, a useful thing for industry generally. It meant that goods to the value of \$5,000 coming from many markets could be purchased and, in every case, that expenditure would involve so much employment and so much profit. But the transference of all those little fragments of purchasing power to me in one lump altered the character of that sum. It took it out of the current account of the spending public and made it a part of the capital with which I have been able to develop my business.

It can, I think, be safely argued that

this money is doing better service in promoting business than if it had been spent in small sums by a thousand people who would have bought a number of isolated commodities.

Even so, this gamble of mine went further and deeper than that. In the course of the week, it stiffened the market in the wages of seamen, coal workers, railway men, and engineers.

We can go further back and consider the case of the business men and the speculators who, years before, had risked their savings in building the steamer which I used. Those wages, for the construction of the ship, the making of the steel and all the other processes involved, would never have been paid had it not been for the expectation that people like myself would be willing later, on to speculate still



"Daddy wrote his name; then he said he might not be back today"

further in the use of the vessel. So, whether the transaction is considered backward or forward, it will be seen to be a great wage-producing agent, causing much more activity and the use of greater sums of money in a bigger scheme of things than ever appeared on my little account.

This venture is my only big gamble

completely outside my own business but I have lost a great deal of money on other speculations indirectly associated with publishing. Chief among these were two exhibitions that I attempted to conduct. A friend of mine has for many years organized a successful trade exhibition. He has shown that it is possible to associate a trade paper with a trade exhibition, and that the two things, conducted together, can benefit the trade, the public, and the publisher. If he could do this, it seemed to me that I could.

So in 1898, when I was running a journal concerned with the decoration of the home, I attempted to organize an exhibition of domestic art. But the applications for space were not sufficient to enable us to open the doors. The exhibition was never held and a few hundred dollars were lost.

In 1911 I tried again. As the proprietor of a successful hardware paper, I thought that I could run a hardware exhibition. However, my previous experience was repeated and the preliminary expenses had to be written off.

Risk in all enterprises

ALL this shows that the work of supplying public needs or of making the public recognize its needs is not so simple as would-be organizers of society appear to imagine.

The theorists overlook entirely the intricate question of risk. They ignore the fact that, before anything can be done to produce a single article for public use, some person or some agency must risk a loss. No system can ever insure that, when the article is made, the public will accept it. Risk is the heart and core of commerce.

When the village grocer buys one hundred pounds of sugar, he takes many little risks. The sugar may not sell, or it may take a long time to sell. His assistant may drop water in it or spill it and waste it; it may be stolen, mice may eat it, and a hundred other things may happen. He, therefore, consciously or unconsciously, adds to the retail price of the sugar some small fraction to cover his risk.

The merchant who sells timber to a builder for delivery six months hence, thus enabling the builder to enter into a contract to erect a warehouse, takes a longer and larger risk. The publisher of a book usually charges twice as much as he would if he were certain that he could sell his whole edition.

My financial backer in the deal which I have described did not, therefore, get more than a justifiable profit. All the

HEATS RUNNERS TO CLIP RECORD

LAKE PLACID, N. Y., Feb. 9— Forced to break trail on his first run and far behind Capadrutt in time, Stevens heated his runners with blow torches before the start of the second, and slipped down the slide as though on grease to his new world mark.

"Golly," he said, "We came down like greased lightning. What a great idea that was."

• IT'S TIME TO HEAT YOUR RUNNERS

The ingenuity of an American, who coaxed a little extra speed out of his sled by heating the runners, broke the Olympic bobsled record.

In business competition as well as in sport, the willingness to look for ways to improve performance pays . . . It is now paying a number of manufacturers in varied industries, handsomely. And the blow torch with which they speeded the runners of production was Special Production Machines.

Perhaps we can speed production in your plant, as we have in others, by improving the performance of your present machines . . . Perhaps we will do it by creating an entirely new machine to perform some operation faster and more accurately. Our knowledge of the principles of automatic machine operation has enabled us to help many companies improve over standard methods of production. Savings in operating costs, better products, and a definite advantage over competition has been the result in the large majority of cases.

It costs you nothing to write us and see if we can help you. Address Special Production Machines, 67 Newport Avenue, Norfolk Downs (Quincy), Massachusetts.

Special PRODUCTION MACHINES

A Division of PNEUMATIC SCALE CORPORATION, LIMITED

For over forty years, Pneumatic Scale Corp., Ltd., has manufactured automatic labor-saving machinery for many of world's largest producers of merchandise

When writing to SPECIAL PRODUCTION MACHINES please mention Nation's Business

profits on all such deals, balanced with all the losses, would disclose a surprisingly small surplus.

I have tried to show that wealth is exchange, and this story may help some to understand that the most difficult work in connection with exchange, and therefore wealth production, is the shouldering of the risk. It is a misunderstanding of this vital question which leads to much wrong-thinking on speculation and gambling. My partner in the excursion venture was a speculator. He was willing to risk the loss of his capital on the chance that he might increase it and obtain a larger income.

This question of speculation requires further examination. Each one of us depends for his comfort, convenience, and security upon the speculator who makes and maintains every market that there is. The speculator's business is to ease the price of a commodity up or down thus relieving the rest of us of the risks and inconvenience to which we should be subjected if we had to shoulder the fluctuations of the market.

A moment's consideration will show that, without the speculator, no forward contract is possible. Many of our current troubles are due to the lack of a sufficient number of speculators to take these risks.

As an example, it was once usual for the paper-maker to sell paper on three-year contracts. The maker could not himself assume responsibility for any extreme fluctuations in prices during a three-year period. He relied upon the professional speculator.

Speculation in supply contracts

TO QUOTE a price for paper three years ahead involved, among many other conditions, an assurance of pulp and freights at firm prices during the whole period. Two tons of coal go to the making of every ton of paper, and the maker, in giving his price, had to be sure that for three years he could rely upon receiving his coal at a fixed figure. The same conditions applied to all his other requirements.

The whole question is, of course, complex and demands a far more careful examination than would be appropriate here; but it would be wrong to leave the impression that the speculator who undertook to deliver coal three years ahead at a fixed price was in any real sense gambling. As a member of his market, fulfilling his proper function, it was his job, when signing that contract, to find a coal owner who wished to be sure of a market for his output in three years' time, and who

could, on that guarantee, employ sufficient labor to develop his pits.

There is a common misapprehension here which requires correcting. It is assumed that risk-taking and gambling are the same thing. Nothing could be farther from the truth. The line between them is easily drawn. The risk-taker renders a service. The gambler renders no such service. Any doubt, therefore, as to whether a particular transaction is legitimate or not can be settled at once by applying the test of service.

Gambling and risk-taking

RISK-TAKING and speculation illustrate the real trouble with capitalism and capitalistic systems—the stupidity of the business classes as a whole. They have allowed the impression to become widespread that a large class of persons is making fortunes by gambling in the commodities upon which the rest of us depend. Nothing could be more inaccurate. There are such gamblers and they occasionally make money. These, however, constitute a small class, and further, it is beyond doubt that, on the whole, they lose more than they make.

The professional speculator in stocks is the first person who jumps to the average mind when speculation is mentioned. It is commonly assumed that, if a man can gain admission to the Stock Exchange, he can make big money by a process which the public regards as a species of gambling. Nobody bothers to inquire what would happen if one of us, having saved a little money and wanting to invest it in I. T. & T. were to canvass the streets to find a person who happened to possess I. T. & T. and, possessing it, wanted to sell it. Nor does anyone inquire how, if we went through this process, the price of I. T. & T. would be settled.

Speculation, like competition, is a price-reducer, a big force for economy and one of the greatest services that the development of the economic system has rendered.

So it can be seen that those, who think that society could be so conducted that profit making could be eliminated, have yet to explain how they will rid us of the risks and the losses.

The life of a business man does not lend itself to graphic description. Buying and selling does not make good "copy." A man who stands behind the counter and sells cabbages need not look for publicity. If his cabbages are good, if his manners give no offense, if he conducts himself with ordinary propriety, he will in time be known as a

"respected resident"; but, in the main, his life will pass without comment. The man who wants to be somebody, on the other hand, must eat other people's cabbages and devote himself to agitation. He must make speeches, and write to the papers. He must rail about the tenure of the land which produces the cabbages, expatiate on the mode of life of the man who sells the cabbages, or the man who brings them to market. He can, if he will, stir up public indignation over the price at which the cabbages are sold.

His work as an agitator may halve the supply of cabbages, drive the cabbage merchant out of business, produce conditions in which only the professional profiteer can venture to touch cabbages, create artificial restrictions and regulations—in short, ruin the industry. All this will make for greatness. The more public inconvenience he causes, the higher will be the public estimate of his work.

I have several times lately kept a note of the details of one day's work, and I have been driven to the conclusion at the end of each day that I have done nothing but say "Yes" and "No" to a number of people.

In fact, after a visit to my office, my small daughter summed up my day's work thus:

"Daddy wrote his name on a piece of paper. Then he put on his hat and said he might not be back today."

My function is to take the risk. In the course of fulfilling this function I lose and make a certain amount of money. In the end the profits are, or have so far proved, greater than the losses, and for this reason I am considered successful.

A "No" man in business

THE whole burden of my story is that our essential activities are, and always would be, totally impossible without the existence of some such person as myself, exercising an office which cannot be separated from the private or individual gain to which my opponents in economic thought take such grave exception.

An essential to success in a business career would seem to be the ability to say "No," and the knowledge of when to say it. The business man must always be saying "No" to the worker, "No" to the supplier, and "No" to the customer. This last operation is perhaps the most difficult and the least understood of the three.

It is difficult to decline a request for
(Continued on page 84)



He Brought His Ship to Port

G RIM-LIPPED... clear-eyed... courageous... a figure-head of strength and determination... he holds his ship true to its course, and brings it safe to port!

To the clipper captains of yesterday, foul weather meant sharp sailing. With decks awash... taut rigging... prow deep in spray... they conquered storm with seamanship—bleak skies with iron hearts and brave spirits.

Modern business has its daring clipper captains. To them, adverse conditions are but a challenge. With courses boldly charted... weather eyes cocked shrewdly skyward... firm grip upon the wheel... undaunted by the cry of "Breakers ahead!"... they sail through dark waters into the harbor of success and progress.

On today's troubled sea of business, there is urgent need for clear thinking, fearless management, and the proved efficiency of Addressograph and Multigraph in developing sales and profits. Equip *your* craft with new rigging. Haul down old canvas... caulk the seams... station every man at his post... and with vision that looks beyond the turbulent waters of today, bring *your* ship safely to the port of More Customers, More Sales, Greater Economies, and More Profits!

Addressograph Company • Multigraph Company
Divisions of
Addressograph-Multigraph Corp., Cleveland, Ohio

[A 15 x 15 Art-Gravure enlargement of the above picture, suitable for framing, with inspirational message free of advertising, will be sent postpaid FREE upon request.]

EMPLOYMENT CREATION THROUGH SALES STIMULATION

When writing to ADDRESSOGRAPH-MULTIGRAPH please mention Nation's Business

So I'll Never Trade There Again

By HERBERT COREY

ILLUSTRATIONS BY DON MILLAR

MOST of the time I am fairly well depressed. Whenever I forget how ghastly everything is and begin to make plans for stunning some editor with a really good story I always meet a frightened friend. Then another day is ruined. I spend what is left of it looking over the edge of the abyss and calculating how far I'll have to fall instead of whanging away on my typewriter.

But sometimes something happens to stir the fine old Corey fighting blood.

There was, for example, that article by "W.B." in the *NATION'S BUSINESS* for February entitled "They'll Buy Now if We'll Sell Now." It recalled my wrongs to me. I am impelled to reply to Mr. "W.B." that while he is right in his conclusion, as one of the potential buyers I am getting tired coaxing. Not to be short about it, several merchants I know can go jump in the lake.

Values are not enough to offer me. I do not always know values. I do know courtesy and a desire to please.

I am just one plain, inconsiderable retail customer. No one loves me. My only importance is that there are millions just like me. I get letters indicating that various store managers are on the edge of their chairs waiting to give me service, but when I go into their stores I get a Bronx cheer. Whereupon the store gets a ticket entitling it to attention by my private *Vehmgericht*.¹ I am not sour enough to



"I'll give you my name and address," she said. "That will make it easy to report me"

SOME of the reasons for the "buyers' strike" taken from the experience of one who admits that loss of his patronage will scarcely be felt by the individual retailer. But if all the people like him do their trading elsewhere, business will be dull in certain stores

do myself any harm, and if it seems convenient to go back to that store I will do so, but if it is equally convenient I will go somewhere else.

Do I hear store managers asking for specifications?

It is a pleasure to fill the order.

The elevators in the leading department store of a city I know are operated by girls. An elderly woman tried to get out of one car at the fourth floor. Slimmer and more agile riders pushed past her. She tottered a bit, I must admit. She was not as fast on her feet as

when she was first married. The girl slammed the door in her face.

"Some one should report you for that," said an angry passenger. The old lady was frightened, I think, and embarrassed and hurt.

Poor training

"I'll write out my name and address for you," said the girl. "That'll make it easy for you." A sneery, snippy, impudent young miss.

Do I hear some one say this was not the fault of the store manager?

But it was his fault. A store manager is supposed to manage and not to spend his time writing Mr. Corey to come in and get some service.

It was in another store that my wife tried to get a piece of linen for some decorative purpose. She knew exactly what she wanted. She knew the thing existed because she had seen it somewhere and was prepared with specifications and blue prints. The young clerk at the counter slapped another layer of Duco on her lips.

"People," she said in a general sort of way, "do ask for the dumbest things."

That ended that merchandising incident. It also ended all except unavoidable trade from the Corey family. I would like to meet that store manager. I know precisely the warm, sad and superior smile he would wear while he expressed his sorrow, grief, contrition, regret and practical ruin as he explained that he could not help it.

Why couldn't he help it? It is his business to help it.

As a customer I am not at all con-

¹To save you the trouble of looking this up as we had to, the *Vehmgericht* was one of certain late medieval tribunals in Germany, chiefly in Westphalia, which exercised the power of life and death and frequently met in secret.

SALES JOURNAL

DATE JUN 3 32											
Invoice Number	Notes Total Credit	Dept. 1	Dept. 2	Dept. 3	Dept. 4	Dept. 5	Dept. 6	Dept. 7	Dept. 8	Dept. 9	Dept. 10
565	11.25cr	3.25			2.50			1.75		3.75	
621	23.50cr		1.25	4.60		2.20			1.75		
517	6.85cr	1.25			1.65	2.60					
550	27.65cr	4.65	2.20			1.75	1.25		1.75		
572	10.75cr	1.50		1.75		2.25		1.50		1.25	
546	9.25cr		1.25		1.50						
618	18.00cr	2.25		2.95	1.25		1.85	1.60	1.65	1.50	1.50
578	27.55cr	3.50				1.75			2.75		
595	18.60cr		2.25		1.15		1.15	1.10			
623	15.00cr	2.50	1.25		1.35					2.25	
TODAY	168.40	18.90	6.20	10.80	7.90	8.80	6.95	7.20	7.40	10.80	6.50
PREVIOUS	386.50	42.50	18.00	24.70	18.60	15.70	14.35	19.40	15.20	23.40	13.70
TO-DATE	554.90	61.40	26.20	35.50	26.50	24.50	21.30	26.60	22.70	34.20	20.20

The new Burroughs Typewriter Bookkeeping Machine with multiple totals completes several related records at the same time and accumulates a large number of totals. Distribution, with or without ledger posting, is easily and quickly accomplished.



ALL THE TOTALS

AUTOMATICALLY ACCUMULATED WHILE POSTING

Consider the many jobs in your own business for this new Burroughs Typewriter Bookkeeping Machine which lists items for each of many classifications either in one column or in separate columns . . . automatically accumulates and prints a total of each classification as well as a grand total of all classifications . . . and does this work, if desired, while posting several other related records in the same operation.

These and other special Burroughs features—many of them automatic—make this new Burroughs exceptionally fast, simple, and easy to operate. Its wide range of usefulness makes it an unusually economical investment for any line of business.

For a demonstration, telephone the local Burroughs office.

Burroughs

BURROUGHS ADDING MACHINE COMPANY, 6156 SECOND BLVD., DETROIT, MICH.

When phoning your local BURROUGHS office please mention Nation's Business

Here lies the body of

*in a coffin that saves \$25,000,000
worth of HEAT annually—*

At Lompoc, California, the scene of a mysterious catastrophe ages ago, *Johns-Manville* mines a material capable of withstanding fiery temperatures up to 2500° F.

HUNDREDS of thousands of years ago it was. A species of extinct herring swarmed a sheltered bay, touching Santa Barbara County, California. In pursuit darted larger fish—mackerel, flounders, bass, rockfish.

Suddenly, like a bolt from the sky, a weird and tremendous catastrophe occurred. Like a flash, the entire mass was overwhelmed, sent to graves within the slopes of the Sierra Santa Yuez.

Nature has erected a ponderous monument on this site. For here, at Lompoc, California, hidden in an ancient bay (now raised well above sea level), modern science discovered a material

for the control of high temperatures—modern Industry a saving of over \$25,000,000 a year.

Long before the sudden annihilation of these fish, a rich deposit of diatomaceous earth was forming. Diatoms (one-celled, free-moving, microscopic plants) multiplied, remultiplied. Dying, they sank to the floor of the bay, depositing their tiny silica shells. Strata formed, new deposits were laid, growth proceeded prolifically. Midway in the formation, the tragedy of the fish occurred, in turn buried by later deposits.

Today, from Lompoc, Johns-Manville mines these siliceous diatoms, molds from them insulating materials in many forms. Universally, engineers regard diatomaceous silica products as the most efficient non-conductors of heat at high temperatures.

JOHNS-MANVILLE has been in the Insulation business for more than 70 years. Today, there is a J-M Insulation to take care of every temperature condition from 400° below zero to the highest industrial temperature. Ask a J-M engineer to call. Address Johns-Manville, 292 Madison Ave., New York City.

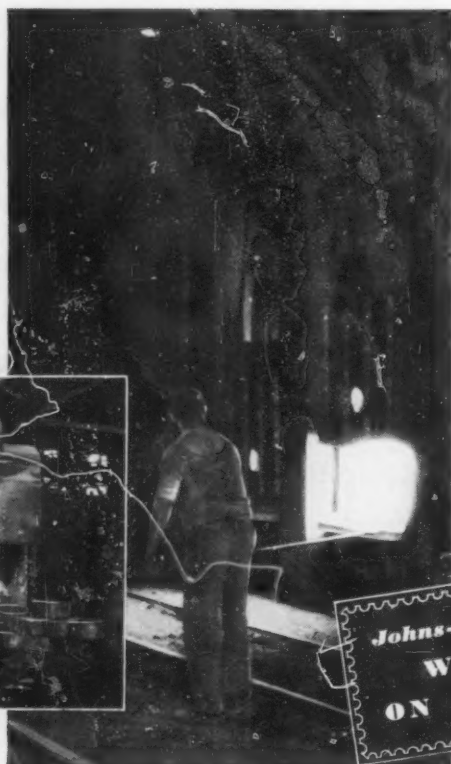
\$600 saved per furnace 89% on the investment

By insulating one of their brass annealing furnaces, the Chase Companies Inc., Waterbury, Conn., reduced the fuel consumption 3.9%, a net annual saving of over \$600 per furnace. This saving represents an annual return of .89% on the investment in the insulation. Temperatures range from 1000° to 1250° F.



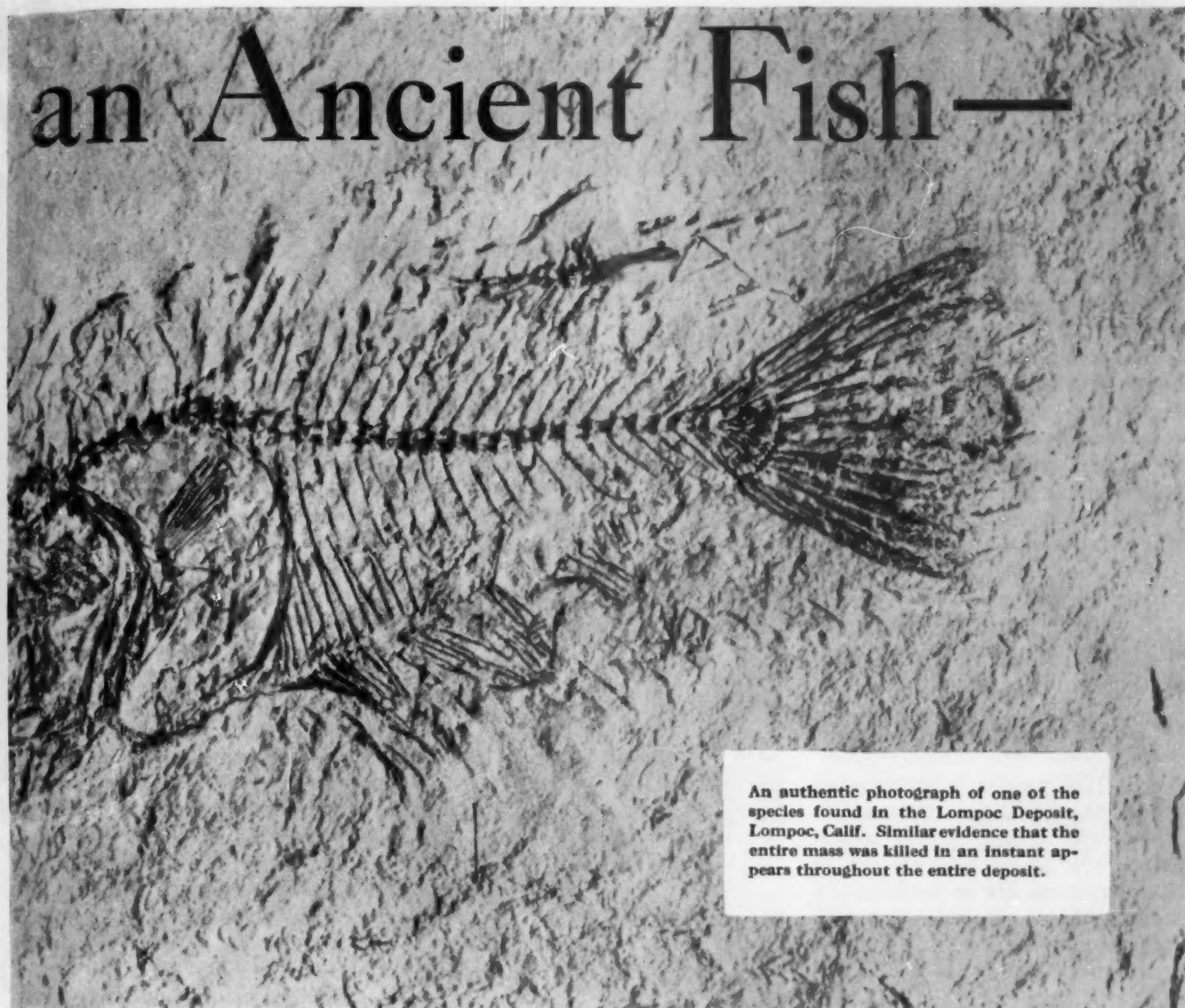
"Up to 2100° F. . . 51,000 gallons of oil saved annually"

Temperatures in the checker chambers of an open-hearth furnace in the Lukens Steel Co. plant at Coatesville, Pa., run as high as 2100° F. J-M Insulation is in service on the regenerators. Records of fuel consumption show that this insulation saves 51,000 gallons of oil annually. After subtracting the yearly charges for the insulation, there is a net annual saving of \$1,497.26, an annual return of 60.3% on the investment.



**Johns-Manville
WARS
ON WASTE**

an Ancient Fish—



An authentic photograph of one of the species found in the Lompoc Deposit, Lompoc, Calif. Similar evidence that the entire mass was killed in an instant appears throughout the entire deposit.

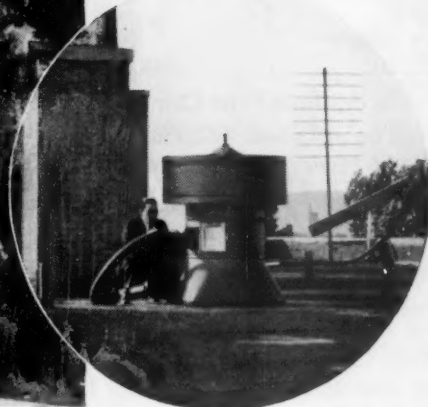


Johns-Manville *blows* cool weather through a hose . . . shuts HEAT out

Johns-Manville Home Insulation, which has contributed so greatly to the comfort of the individual residence, applies equally well to apartment houses and hotels.

The Riverview Manor Apartments, Harrisburg, Pa., couldn't keep the top floor of the building cool and comfortable during the hot summer months.

A test area of 600 sq. ft. in the top-floor ceiling was chosen, J-M Home Insulation *blown* into this space. Temperature measurements conclusively proved its value. The entire ceiling—13,000 sq. ft.—was then insulated. Now all the top-floor apartments are *cooler* during the hot summer months, and are consequently rented.



Johns-Manville



Controls

HEAT, COLD, SOUND, MOTION

Protects against

FIRE AND WEATHER

cerned whether that girl supports an old father or is sending a brother through the Milan Conservatory or just suffers terribly from runs in her stockings. As a customer I hold there is nothing that justifies keeping an insolent, careless clerk behind a counter. If there is no way of hammering a moderate amount of courtesy and intelligence into the head of that kind of clerk then she should be sold down the river.

I'll get to the masculine part of this article by and by, but in the meantime the misadventures of a feminine friend must be reported. She read an advertisement of most diverting mattress covers, but on examination learned that (a) they were of only one color and (b) that she did not like them.

"I will give you my address," she said to the clerk. "I wish you would find out for me if these covers are to be had in other tints. I want a——"

"If I did that," the clerk interrupted her, "I could fill a book with addresses every day."

Manager may plead ignorance

SO ANOTHER customer of that store popped like corn. If the store manager comes in with the usual plea of confession and avoidance the answer will be that a store manager who has not found out during the years in which that clerk forged ahead to the position of seller of mattress covers that he had the disposition of a Zambesi ape is not fit to be a store manager. That sentence is too long, I know, but the situation has been running on too long, also.

Is there any good reason why a clerk should not try to please customers?

The other day I read a statement by one of the Woolworth consistory. When business began not to be so good the management began to look about a bit. The Woolworth theory of selling has always differed from that of the rest of the world. Articles for sale are placed on the counters and the customers pick 'em, pay for 'em and carry 'em away. The clerks only wrap and make change. But when the intake began to fall off the Woolworth management sifted its clerks. Those who were bright and clear-eyed and friendly were kept. The girls who were still in a daze over the boy friend were given back to the wildwood. Business immediately picked up.

Store managers should remember, too, that I have my feelings. I may be as meek and lowly as I look, but when I lean over a counter I want to be treated like an equal. That is all I ask. But I ask that fervently. The customer may not have the courage to say so, but

he resents the snootiness he occasionally encounters. A friend took a Persian silver platter to the leading silversmith in his town.

"I want this broken bit of the rim rivetted back," he said. "I do not want it soldered, for this is a very fine old piece——"

The clerk took notes. He was the head clerk, as it happened. When my friend returned for the platter it had been soldered and not rivetted.

"That is the way we always do things in this store," said the clerk. "It is the only right way."

He looked down on the patron as from the peak of Mt. Everest. My friend took his soldered platter and marched out.

I am prepared to bet my Airedale, which is my most precious possession,



"I'll take this boat," the Chinese said. The price was \$22,000

against a flea that he will never go back. Neither will I go back.

There is another store which lost a friend's business not long ago. Mind you, that business is as inconsiderable as possible. It would have to be multiplied by the Eastern Sho' before it would make a dent on trade trends. But what there is has been taken away from that store, and the *Vehmgericht* has been called to action. We are not conducting a boycott, because we do not want to go to war, but we have spoken to our friends.

"That is the love seat I want," said the friend. The clerk said it was a bargain.

"I do not see how you can sell it for \$28.50," said the friend.

"Oh—But—Moddam," said the clerk. "That love seat is \$40. It is these other love seats that are \$28.50."

Losing another customer

"IS THAT so?" asked the friend, stealing some of Jimmy Gleason's stuff. "I have had an experience like this with you before and so I tore out the advertisement and brought it along." Business of unfurling ad. "Where is there anything about \$40 in that?"

She got the love seat for \$28.50, but the store lost a customer. A store manager who thinks he can hold a customer by pleading guilty when he is caught is plum silly.

A man in Philadelphia went to a haberdasher to buy a dozen collars of a very standard brand. Only two collars of that brand in the size he wanted could be found and he went away. Another friend tried to buy a rug in one of the country's greatest department stores. Only one clerk was on the floor and he was busy, and so the potential buyer walked out.

I have been holding the best for the last. Months ago a young Chinese walked into a motorboat store in New York. A row of spatted, cravatted salesmen sat in the rear gloomily telling each other of millionaires who had gone back to work. They eyed the young Chinese with all the élan and dash of a row of porcelain knobs. The youngest of them alone got up. He had no thought of selling a boat. The elder statesmen had convinced him that could not be done. But he was courteous and kindly and he did not want to hurt the feelings of the visitor by ignoring him.

After a time the young Chinese said: "I'll take this boat. The price, you said, was \$22,000?"

He had visited other stores and no one had tried to sell him. The ambassadors of trade had all assumed, apparently, that the only thing the Chinese buy are silk pants and birds' nests.

None of this will do any good.

Nothing ever does any good. The depression has settled down on me again. Store managers who permit this sort of thing to go on in their stores can only be cured by a super-store manager with a club. They will continue to marvel that other stores get business through such intangibles as a desire to oblige.

Mr. "W.B." is right. We'll buy if they'll sell. But why do they make it so hard for us? And there is no use saying that these things cannot be helped. They've got to be helped.

*To shippers and users
of dry commodities:*

General American Tank Car Corporation *announces* A TANK CAR TO CARRY DRY-FLOWING SOLIDS!

AFTER years of research and thousands of miles of road tests, General American Tank Car Corporation now announces one of the most far-reaching freight transportation developments of the century . . . *a railroad car to carry dry-flowing solids in bulk.*

Advantages of bulk shipment are manifold. Shipping in bulk is more convenient, more economical, more efficient. These advantages, heretofore available only to the shipper of liquids, are now open to you.

The new Dry-Flo car will revolutionize the shipment of many commodities—cement, lime, silica sands, sulphur, fertilizers, cleaning compounds, soda ash, pottery clays, Fuller's Earth—these and many other granular materials can now, for the first time, be shipped as conveniently and efficiently as standard tank cars handle liquid commodities.

Old-fashioned shipping methods must give way to the Dry-Flo car. Packaging expenses are eliminated. Handling costs are reduced. The inefficiency of shovel and wheelbarrow methods is no longer necessary. Safety in handling, and freedom from dust are assured.

The practicability of the Dry-Flo car has already been demonstrated through numerous

trial trips. It is loaded through openings at the top of the car, and the product is uniformly transported to a bottom outlet by simple conveying equipment. Because the Dry-Flo

car now makes possible the bulk shipment of dry commodities heretofore shipped only in packages, it will make substantial savings for many industries. If you are either a shipper or user of a dry-flowing solid, undoubtedly your industry is one which needs the Dry-Flo car. We will be happy to discuss its various uses with you. Address General American Tank Car Corp., Continental Illinois Bank Building, Chicago, Ill.

FACTS *about the DRY-FLO car*

Provided with conveying machinery within the car, which enables the use of but one outlet, and the simplest possible conveying machinery for carrying material from car to plant.

Water-tight and dust-proof. Divided into three compartments, the two end compartments carrying the lading and the small center compartment communicating with the dome, for the unloading machinery. Power furnished by an electric motor located within the dome or by means of external power which may be applied by a shaft provided.

The operation of the car is simplicity itself, it only being necessary to open a valve at the bottom of the car and connect up the motor by means of a flexible cable to a source of electric power.

*More convenient, more economical,
more efficient, and safer.*

GENERAL AMERICAN, supplementing the car service of the railroads, for years has been a pioneer in modern freight transportation. The new Dry-Flo car should bring back to the railroads shipments of granular commodities which they have lost. Still more important, the convenience and economy of this new car, will keep much business on the railroads at a profit both to carrier and shipper. Its invention marks but one more important step in the development of railroads . . . the most efficient means of transportation man has ever known.

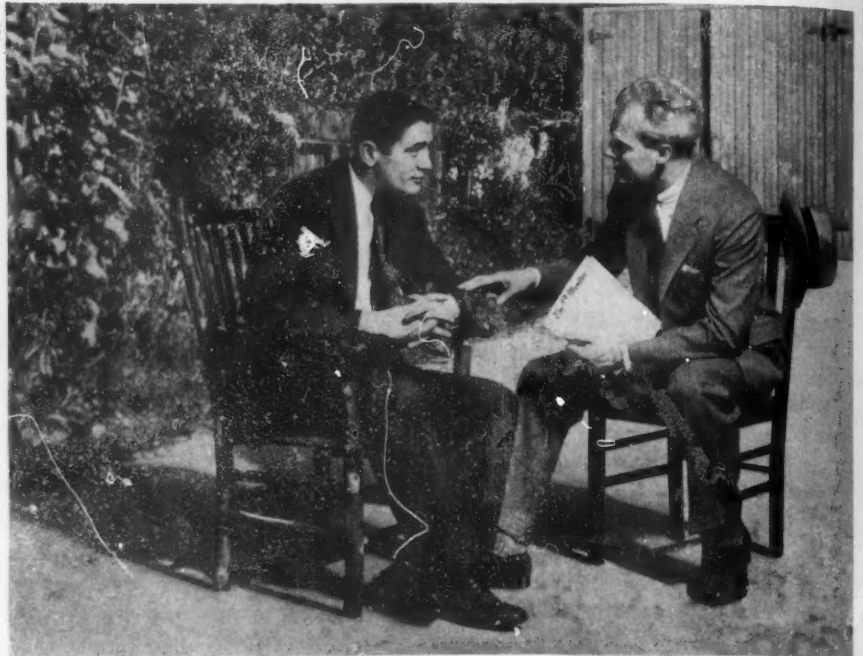
"It's the unexpected that happens"

Metropolitan Life's contracts afford a means to

- create estates and incomes for families
- pay off mortgages
- educate children
- provide income in the event of retirement
- establish business credits
- stabilize business organizations by indemnifying them against the loss of key-men
- provide group protection for employees covering accident, sickness, old age and death
- provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from \$1,000 up to \$500,000 or more, and from \$1,000 down to \$100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.



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It may surprise you to know that about half of all accidents are happening to people carefully secluded within four walls or in their own yards or gardens, perfectly sure they are in no danger.

But it is also true that during vacation periods, when in unfamiliar surroundings, the hazard of accident increases. Sports and games cause about one-fifth of all accidents.

There is more chance that you will injure yourself by falling, or bumping into objects than that you will be hurt while traveling in trains, ships or automobiles.

One person in every eight is killed or injured by accident each year in the United States and Canada, more than 14,000,000 in all—a far greater total than the number killed or wounded in any war of the United States.

Not only is the man who is temporarily disabled by accident usually unable to earn money while he is recovering, but it always costs money to take care of him. Fortunately, protection against such hazards is well within the reach of almost every worker.

While building your program of financial independence, take out the "if" which might wreck the best made plans. Protect your program against accidental interruption.

Get from a Metropolitan Field-Man details concerning weekly payments made to cover various forms of disability. The Metropolitan will be glad to mail you, free of charge, its booklet "Accident Prevention" telling how and where the majority of accidents occur and the best precautions against them.



Regarding Life Insurance in any amount, consult a Metropolitan Field-Man or write to

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

When writing to METROPOLITAN LIFE INSURANCE COMPANY please mention Nation's Business

Yours Received and Contents Noted

Some Readers' Views on Current Topics

Our error

TO THE EDITOR:

Donald Wilhelm, in his interesting article "Paul Revere Without His Horse" in the April NATION'S BUSINESS makes the statement that Paul Revere's name "headed the list of charter members of the first successful effort in America to insure property against fire, that of the Massachusetts Fire Insurance Company chartered in 1798."

There are still existing in America some seven fire insurance companies antedating the above in origin. They are:

The Philadelphia Contributionship for the Insurance of Houses From Loss by Fire—1752.

The Mutual Assurance Company for the Insuring of Houses From Loss by Fire—1784.

The Baltimore Equitable Society—1794.

The Mutual Assurance Company of Virginia—1794.

The Mutual Assurance Company of the City of Norwich, Conn.—1795.

The Insurance Company of North America—1792.

The Insurance Company of the State of Pennsylvania—1794.

We trust you will understand that our criticism is offered simply in an effort to insure greater accuracy in articles which are so widely read as those in "NATION'S BUSINESS."

SOMERS SMITH, Secretary
The Philadelphia Contributionship
Philadelphia, Pa.

Change as a salesman

TO THE EDITOR:

NATION'S BUSINESS is to be commended upon its enterprise in devoting a page each month to new ideas in manufacturing products. The Illinois Manufacturers' Association is particularly interested in the introduction of new products into the industrial field as a stimulus to business.

Something new in the line of manufactured products every minute is needed to stimulate buying and produce industrial prosperity. Overstandardization of American products is a great mistake. I am aware that the Division of Simplified Practice of the Bureau of Standards of the United States Government has done remarkable work in establishing uniform practices and commodities in an effort to prevent waste in manufacturing. I do not wish to belittle the excellent work done by this Bureau but the super-standardization of products spells doom to the American manufacturer.

The Illinois Manufacturers' Association is doing everything possible to stimulate production of new products because it is the new, original and novel products that get the business.

It might be all right to standardize adhesive plaster, ice cake sizes, turnbuckles,

plow bolts and chasers for self-opening and adjustable die heads and even steel reinforcing spirals, but when you get down to fitting a woman's wants or most men's wants, you need something attractive and artistic that differs from the fashions of yester-year to stimulate the buyer.

JAMES L. DONNELLY
Executive Vice President
Illinois Manufacturers' Assn.

Attention, cotton men

TO THE EDITOR:

A matter has been interesting me recently, which it seems might help a little to dissipate some of the depression and at the same time be acceptable to thousands of women all over the United States. It is simply this:

We are tired of having to buy silk stockings for morning wear. I belong to that large middle class who try to do their work efficiently mornings, and go out for bridge or some diversion in the afternoons. What we would like is a well fitting, firmly woven cotton stocking that could be purchased at a reasonable price and in the various neutral shades of tans, greys and browns. So many of the cotton stockings on the market are either slazy or exceedingly coarse, both undesirable features. It surely must be possible to weave a different quality.

I was discussing this matter with a friend and she told me of an experience that she had had in this line. One of the teachers that she knew possessed just such a pair of cotton stockings as described above. They had been purchased in a town about 50 miles away. My friend had occasion to visit this place a little later and went to the store to buy the desired hose. There she was told that the supply of this particular grade of stockings had all been sold out and that they had come from Germany!

Cannot you put some manufacturer next to this and please tell him to advertise so that all may hear.

MRS. ELIZABETH DE MARY
Rupert, Idaho

Better postal service

TO THE EDITOR:

In connection with the article "A Clinic on the Postal Deficit" in your March issue, I should like to make a few suggestions. These suggestions are offered from the standpoint of one who has served in the Postal Service and who has more recently had to deal with the Department as a business man.

The Post Office Department is primarily the means of communication between the people of these United States, and between the people of this country and the people

of other countries. Whether the Post Office be operated at a loss or whether it show a surplus, it is an essential and must be maintained.

Its operation, not for profit, but at as low a loss as may be, can best be accomplished, not by raising rates but by adjusting its service so as to cause business to use the mails more than it is using them today.

As an example, one morning while in downtown New York, I had occasion to make a small purchase and to accompany it with a message, all for delivery on one of the streets in the 70's. As the purchase was desired for use in the late afternoon, I despatched the article and message by first-class postage, special delivery. They arrived the next day.

I cite this as a personal incident and have heard of numerous others, in New York and in other communities. Almost invariably the remark has been made that the next time phone and messenger would be used, whereas had the transaction been satisfactory it would have been followed by others which in the aggregate would contribute a considerable amount to the income of the Post Office Department.

To operate the Department on a self-sustaining basis, as is advocated by some, offers a more difficult problem. One way in which this might be done would be to set each individual Post Office up as an individual business, and hold each Postmaster responsible for the showing his office makes.

If it showed a loss he would be held accountable, unless he could offer satisfactory explanations, and another manager would be put in charge. Some system of credits would also be worked out for the man who could show real net profits.

It might be that this could only be done with first and second class offices, and that the net profits would have to be applied to make up the losses in third and fourth class offices, which could seldom show a net profit. All this would, of course, require a considerable reorganization and very different regulations than now exist. I am not asserting that this plan is actually practical but I believe it worthy of study.

W. B. CONRAD
Consultant Engineer
Burlington, N. J.

How to cut costs

TO THE EDITOR:

One of the things that vitally interests men in the construction industry of this state in the formation of the Allied Construction Industries, is the fact we are going out to get the Government out of business wherever we can. You would be surprised to know the response there is from business men to that single idea. Speaking for our own industry, which I think I know fairly well in the state, I am satisfied that

STABILITY

that comes only
with the years



The Detex Watchclock Corporation had its origin in the Newman Clock Company, organized in 1872. The present company dates from 1923, when the Newman Clock Company and the Eco Clock Company joined, and the Hardinge Watchclock Division was purchased.

The Newman Clock was the first watchman's clock made in America and the first to be approved by the National Board of Fire Underwriters, 30 years ago.

All Detex Clocks—Newman, Patrol, Alert and Eco have carried the label of the Underwriters' Laboratories, Inc., since the labeling system was put into effect, a quarter of a century ago. Users of these clocks have always been assured of service on repairs, supplies, relief clocks.

American business has approved of Detex policies and products—80,000 clocks in daily use, in more than 50,000 establishments, is the greatest test and proof of that.

Now, Detex Models have been improved by a new movement of surpassing design that will again increase the Reliability, Accuracy, and Continuity of Service that has always distinguished Detex Watchmen's Clocks.

Complete Information on Request

DETEX WATCHCLOCK CORPORATION

4153 Ravenswood Avenue, Chicago, Ill.
29 Beach St., Boston 80 Varick St., N. Y.
Room 800, 116 Marietta St., Atlanta

NB-6



Representatives in all large cities in America and abroad
When writing please mention Nation's Business

the vote would be 100 per cent to get the Government out of business.

If some worth while individual should go out on a program this fall for President of the United States to reduce taxes and the cost of government \$500,000,000 each year for four years, he could be elected by an overwhelming majority. The reduction never will come from consulting department heads because these men naturally can think of more reasons why they should have an increase than you can think of why their expenses should be reduced but if they are given \$500,000,000 a year less, they will find ways of reducing their costs accordingly.

It is my humble opinion that if anybody has enough nerve and sense enough to go out on that kind of a program he can be elected and furthermore, that that's exactly what we need and the Federal Government is the best place to start such a program.

WM. H. ZIEGLER, Pres. & Treas.
General Tractor & Equipment Co.
Minneapolis, Minnesota

The Farm Board

TO THE EDITOR:

As a taxpayer and one engaged in the grain business we wish to enter a vigorous protest against the further appropriation of funds for Farm Board use. This organization has had an opportunity to show its worth, with the results that grain prices have sunk to the lowest levels in many years.

Not only the extra cost to the public in taxes, but the existence of the Farm Board, reflects that the Government is still in business. At the last election we thought that the general cry was, that the Government was going to get out of business. But so far, it hasn't.

We know it to be a fact that many of our farmer friends are disgusted with the Farm Board and think the act that created this organization should be repealed.

H. E. RAPP
W. D. Rapp & Son
Sabina, Ohio

A source of taxes

TO THE EDITOR:

Congress is seeking many possible tax sources, in the effort to balance the budget. Because I have had eight years of public office holding, I have vivid impression of a fertile source from whence a great sum of tax could be derived. State, county and municipal officials are exempt from payment of income tax. Acting Chairman Charles R. Crisp of the Committee on Ways and Means of the House of Representatives, in reply to my communication bringing this to his Committee's attention says,

"The Committee has given thoughtful consideration to your letter, but, under the Constitution, we could not tax salaries of such officials."

It appears therefore that an Amendment to the Constitution is necessary to derive this revenue. In my judgment this Amendment should be submitted. Here is a huge source of revenue where a tax would not prove burdensome because of fixed income.

I feel sure the average citizen doesn't

know that the governor of his state, the mayor of his city, and other public officials are exempt under the present system.

LEON SCHWARZ
Former Mayor of Mobile

"Too much sweetening"

TO THE EDITOR:

Instead of your magazine being an "open forum" it evidently represents but one side of the major questions before the business world today.

Unless you publish a few articles, every now and then, representing the "other side" of momentous questions, I am afraid that your readers will get "fed up" on too much sweetening.

The articles "Who Pays For the Roads the Truck Uses" by R. C. Fulbright and "It's the Poor Who Pay A Sales Tax" by Albert H. Morrill appearing in your February issue should be answered, that your readers may have the benefit of reading both sides of the questions.

ARTHUR R. BIRD
929 Bay Street
San Francisco, Calif.

Can you answer?

TO THE EDITOR:

In connection with the public interest now being displayed in present day problems, will you publish this letter of inquiry?

1. What are the functions of good government?
2. What are the principles of true capitalism?
3. What are the economic functions of contractual relations?
4. What is the function of banking?
5. What is the function of speculation?
6. What are the functions of wealth?
7. What is justice?
8. In what manner does credit control support these various functions?

Any high-school graduate should be able to answer these questions, if properly educated. They involve the elementary principles of American democracy and true capitalism. Certainly no one should be permitted to hold authority without understanding these elementary principles.

WILLIAM F. FOWLER, President
The Non-Partisan, Good Government
Association, Inc.

The farm fallacy

TO THE EDITOR:

Agriculture is a major industry but little understood by city people. For at least a generation a fallacy has prevailed in the minds of city people about it. They know that a farmer can always make a living on his farm. They think his smoke house contains an inexhaustible supply of hams, his cellar an equal amount of vegetables and fruit. If he wants a leg of lamb or a veal cutlet, city people think he can go to the barn and slice off what he needs. If he needs blankets, they imagine he can shear a sheep and a nearby mill will convert the fleece into blankets.

The educational campaigns for balanced live-stock rations have resulted not only in

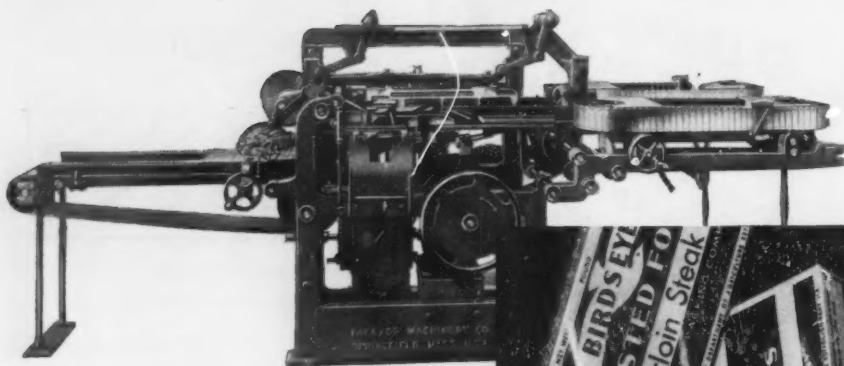


For information address our New York Office, 90 Broad Street.

A SUBSIDIARY OF STONE & WEBSTER, INCORPORATED

NOW « «

packages in a wide variety of sizes can all be wrapped on ONE machine



Uses Cellophane, glassine, waxed paper or printed wrappers.

This highly adjustable wrapping machine has met with wide interest in the package goods field, because it answers the modern demand for *flexibility*.

It is of special benefit to concerns making products in a number of different sizes. But even those concerns whose products are now packaged in only one size, welcome the opportunity this flexible machine offers in making it easy to introduce new sizes to the line. And, of course, it is always desirable to know that you can change the size of your package, should future conditions require it, without running into mechanical difficulties.

The machine can be equipped to wrap cartons in printed wrappers, Cellophane (plain or moisture-proof) waxed paper, or glassine.

Changing from one size package to another is accomplished merely by turning handwheels, and making a few simple adjustments.

Let us Solve your Packaging Problems.

This is just one of a large line of machines which we have developed to meet the varied requirements of the package-goods industry. No matter what the nature of your packaging problem may be, bring it to us. *Solving problems built our business.*



A subsidiary of the General Foods Company wraps these various sized packages on one F-9 machine.

PACKAGE MACHINERY COMPANY
SPRINGFIELD, MASSACHUSETTS
New York Chicago Los Angeles



PACKAGE MACHINERY COMPANY

Over 200 Million Packages per day are wrapped on our Machines

When writing to PACKAGE MACHINERY COMPANY please mention Nation's Business

better feeding of cows in the barn, but also better feeding of the farmer's family in the home. He is not satisfied today to live on pork and potatoes at the expense of his digestion. City people do not realize that it costs the farmer in cash almost as much to live as it costs them. They are full of the idea that the farmer can eat his poultry, eggs, and milk at no cost.

The farmer is the victim of the most severe and unfair competition which prevails in any industry. He begins manufacture of live stock or crops far in advance of sales with no possibility of accurately forecasting probable production or income. He gambles with the weather, the market and insect pests.

E. F. RANDOLPH
Pennington, N. J.

A kick for your neighbor

TO THE EDITOR:

On January 1 I decided to change my office location.

The new place required three new partitions and a new lavatory with the necessary painting and plumbing. The latter required 20 feet of four-inch cast-iron pipe.

The local hardware store, in a town of 1,100 had none. A nearby town of 2,500 population had none. So I waited for a rush order to be sent in. The same delay occurred in ordering 110 feet of asbestos pipe covering for a steam pipe. My change of location took three weeks.

The point I wish to bring out is that business men in two adjoining towns were out of important undepreciable stock.

Business seems to be suffering from drowsiness, simply waiting for something to turn up. Why not every one give his business neighbor a kick, if nothing more.

DR. B. W. STEARNS
Unadilla, N. Y.

Small Farm Homes

THE Los Angeles Chamber of Commerce is encouraging residents of that vicinity to make a home that combines the advantages of city and country. A job in the city, and a home place close by producing a part of the family food supply, is an abbreviated explanation of the new conception of land use.

This small farm home program was offered after several years of investigation of the many factors influencing success on small acreage properties in southern California, where many industrial workers have developed such places. The plan is construed as a combination of insurance against disaster in case of unemployment and at the same time a partial old-age pension.

The Chamber has published a booklet explaining the program, with details as to layout, cultivation and costs with results that may be expected from half and one acre plots. In addition it offers help in planning specific plots.

"PUBLIC ENEMY NO. 1"

FIRE—"Public Enemy No. 1"
has destroyed property to the extent
of over five billion dollars in the last
ten years.

works best at night



IT'S a way public enemies have—to like darkness. Fire, "Public Enemy No. 1," certainly does, as the record of night fires shows.

Day or night, fire is a costly and dangerous business; costly, not only to the insurance companies, but to the owner whose property burns, for no policy covers all of the losses that a fire entails; costly certainly to other property owners who in reality pay for it in their insurance premiums, and costly, finally, to the public who absorb a large part of it in rents.

Years ago *mutual* fire insurance companies set out to reduce fire losses among their policyholders. A well worked out program of fire prevention effort was launched which has been developed through the years by laboratory research; by exhaustive field work; by active educational work.

Fire losses among the hundreds of thousands of mutual policyholders have been reduced. This loss reduction has saved mutual policyholders millions of dollars annually—dollars actually returned to them in dividends cutting the net cost of their insurance.

All fire insurance is good. There are, however, distinctive merits and advantages in *mutual* fire insurance that are of interest to anyone who owns property. Write today for an interesting and valuable booklet. Address the Federation of Mutual Fire Insurance Companies, Room 2100 B, 230 North Michigan Avenue, Chicago, Illinois.

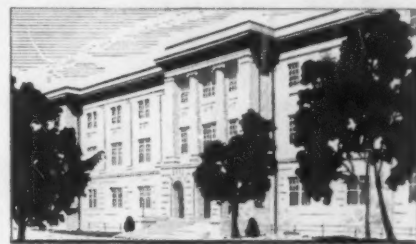
A Remarkable Report of Stability

It is not boom times, but depression years that test the endurance of men and institutions. *The member companies of the Federation of Mutual Fire Insurance Companies paid larger dividends to policyholders in 1930 and 1931 than in any*

two years of their history; \$15,239,744.00 in 1930 and \$17,639,835.00 in '31. In every case full legal reserves have been maintained. Five of the 75 Federation companies are more than 100 years old; 54 have more than 50 years of corporate existence. As a group they have over 6 billion dollars of business in force.

American University a Mutual Risk

The ninety-two acre campus of the American University at Washington, D. C., contains many beautiful buildings, all of them protected against fire under mutual policies. Many of the most notable educational institutions in the country are numbered among mutual fire policyholders.



MUTUAL FIRE INSURANCE

FEDERATION OF MUTUAL FIRE INSURANCE COMPANIES

Nation-wide Representation and Service

An American



Institution

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An Inflation Fight of 40 Years Ago

THE man of 50 who was a boy in 1895 may remember when gold and silver had a political meaning. There was much agitation for currency inflation—not fiat money inflation, but inflation of the currency base by making the cheaper silver legal tender.

Now the talk of inflation is up again—both by making silver a basic metal and by issuing fiat currency. Great Britain has veered from the gold standard and is, temporarily at least, on a managed fiat currency. Mexico has turned frankly to silver. The depreciation of silver has been blamed, along with a thousand other things, for the depression.

This country once witnessed a great "Battle of the

Books," on bimetallism. It was a battle that led to William Jennings Bryan's "Cross of Gold" speech and his nomination as a free silver Democrat. It drove the Republican party to a flat declaration for a gold standard.

The books were "Coin's Financial School," for silver, written by William H. Harvey, and "Coin at School in Finance," for gold, written by George E. Roberts, then the proprietor of the Fort Dodge, Iowa, *Messenger*.

The two books were sold by the millions. They played a live part in a great political battle. Men may yet talk of gold and silver as they talked in '96 and the years preceding. When they do they'll find these three pages as helpful today as they were in '96.

The Case for Silver

1. CONGRESS fixed the monetary unit to consist of $371\frac{1}{4}$ grains of pure silver, and provided for a certain amount of alloy (baser metals) to be mixed with it to give it greater hardness and durability. This was in 1792.

2. Gold was made money, but its value was counted from these silver units or dollars. . . .

This continued to be the law up to 1873. During that long period the unit of values was never changed and always contained $371\frac{1}{4}$ grains of pure silver. . . .

When the ratio was changed from 15 to 1 to 16 to 1 the
(Continued on page 59)



The pen was mightier than the sword, quotes Harvey, with reference to the statute putting America on a gold standard

The Case for Gold

1. IN CONSIDERING this act, fixing the number of grains in a silver dollar . . . we should inquire *why* Congress made the dollar of that size. Perhaps the reason that influenced them has passed away.

(Quoting Thomas Jefferson's recommendations:)

"The unit or dollar is a known coin and the most familiar of all to the mind of the people. It is already adopted from South to North, has identified our currency and therefore happily offers itself as a unit already introduced. . . . I know of no unit which can be proposed in competition with the dollar. . . ."

2. The discussion over whether the silver dollar was made the sole measure of value is profitless. For if it was so made it ceased to be in 1834, and we are under no obligations to jump a gap of sixty years to restore it. But in fact the silver dollar was made the unit solely in the sense that it was the starting point in creating our system of coins. The gold coins were independent of it and had no relation to it save as it represented the then existing standard of value. The "dollar," in gold as well as silver, was the unit, but no gold dollars were coined because the size would have been too small. . . .

The dollar was planned to take the place of the Spanish dollar which was the coin most generally used in this country at that time. The gold eagle was planned to be exactly equivalent intrinsically to ten silver dollars, but it soon became worth more, and gold was exported or hoarded. . . .

Gold was thus lost to our currency until 1834. During these years the silver dollar was unmistakably the measure of values. . . .

The country needed more money and the question was how to hold our gold. There were two methods by which our gold and silver coins could then be made interchangeable under free coinage: By reducing the amount of gold in the one, or by increasing the amount of silver in the other.

"Yes," said Coin, "I called attention in my book to the fact that Congress altered the gold coins to correspond with the value of the silver dollar. It proves that Congress intended silver to be the standard."

It has no such significance. Congress avoided any distur-
(Continued on page 59)

The Case for Silver

silver dollar or unit was left the same size and the gold dollar was made smaller. The latter was changed from 24.7 to 23.2 grains pure gold, thus making it smaller. This occurred in 1834.

3. After using many perishable commodities, experience and wisdom brought the people of the world to the use of silver and gold. . . .

The merit of these two metals is that neither will rust, corrode nor stain. . . . As two legs are necessary to walk and two eyes to see, so were these two monies necessary to the prosperity of the people. . . .

This is the kind of injustice that was committed when silver was demonetized. It struck down one half the number of dollars that made up our primary money and standard of values for measuring the values of all property. It reduced the values of all property. It reduced the average value of silver and all other property one-half, except debts.

It is commonly known as the *crime of 1873*.

4. A gentleman from Oregon tells me that he has lately seen horses in his state sell at auction for 75 cents each. And that horses in droves have been offered there recently at one cent a pound at private sale, with no one willing to take them. It can not be said that there are any improved facilities for raising horses.

5. Silver men are not benefited by remonetization except in common with others. Silver is now worth about 60 cents an ounce as measured in the new standard—gold. It was worth \$1.29 per ounce under free coinage. The owner of silver bullion can now buy as much with an ounce of silver as he ever could.

The exchange value of uncoined silver with the other products is substantially the same now as it ever was. Where silver producers are hurt is only in common with all producers—stagnation, falling prices, paralysis of business, and confiscation of property by taxation and debts that *do not shrink* with all other values.

6. Until 1873, the primary money of the world was both silver and gold—at a parity. They were virtually one metal. The demand for primary money was met by the supply of both metals. The relative valuations of property to money, and money to property, adjusted themselves accordingly.

Thus we had dollar wheat and 16-cent cotton in bimetallic measurement. A bushel of wheat went out into the market and purchased a dollar.

Then came the abandonment of the use of silver as primary money by the United States, followed by Germany four months later, and then by the Latin Union, and recently by India.

A new standard of measuring values was set up. Silver and gold combined was displaced by gold alone.

Silver being deprived of this privilege—free coinage at the mints, and use as primary money—became property of the world, to have its value also measured in gold.

As the standard for measurement in the countries making this change was now only one-half of what it had been, it meant the decline in value of all property. . . . (Quotations to show that prices in 1894 were lower than in 1859.)

7. The debts of the world are, if we include debts of all kinds, about 200,000,000,000 of dollars at the present time.

(Continued on page 60)

The Case for Gold

bance to contracts by changing the coin which was not in commercial use. . . .

When the gold coins were cheapened in 1834 it was hoped that we had established the exact commercial ratio, so that our gold and silver coins would circulate together without preference. But it was not so. It has always been the weakness of the double standard that a ratio, fixed by a single nation, will not stay fixed. This time we had overdone the thing. Silver coins now became more valuable as bullion than as money and went to a premium. From that time on, all prices were made in our gold coin, just as previously they had been made in silver.

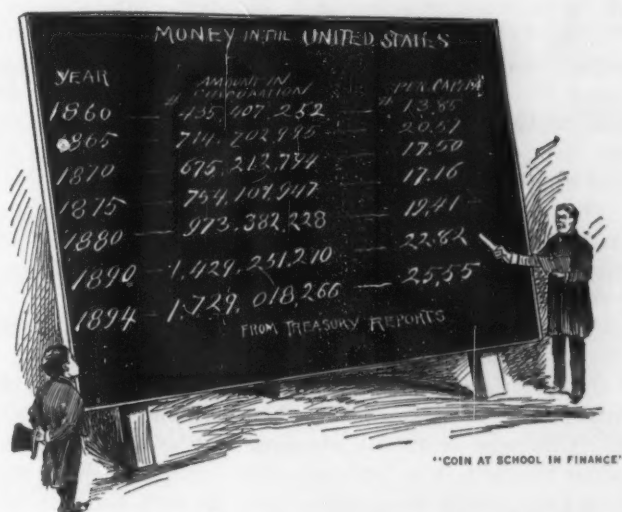
3. We have not measured values in silver for sixty years, and to go to a silver basis would change the price of every piece of property and the value of every contract in the United States, and work great injustice to many people. . . .

If gold became the measure of values in 1834, and has been ever since, except during the war period, your theory of a crime in 1873, which changed our measure, is an error.

4. Coin stumped a fellow by asking him if he knew of any modern improvement in the raising of horses.

Does it not occur to you that though there may be no improvement in raising horses there may be inventions which displace horses? The Thomson-Houston electric company estimates that it has displaced 110,000 horses, and the bicycle is doubtless an influence on the horse market.

5. (After quoting from an agricultural journal to show that farm prices during the years before 1873 averaged lower than around 1895:)



This illustration, from Roberts' book, is to refute Harvey's claim that scarcity of money was causing hard times

If those prices were reduced to exchangeability with silver bullion they would be greatly reduced. . . .

This would give us corn in Des Moines in 1873 about 14 cents and in 1895 about 90 cents, or wheat in Des Moines in 1873 about 80 cents and in 1895 about 90 cents. Hogs in Des Moines in 1873 about \$3 and in 1895 about \$9.

6. "Oh, come now," said Judge Birdsell, "do you mean to claim that with steel track, better engines hauling twice as

(Continued on page 60)

The Case for Silver

The total value of all the property of the world in 1890 was about 450,000,000,000 dollars.

This value has since been shrinking, and will continue to shrink until it is about one-half its present size.

But debts will not decrease any. Their present tendency is to grow larger.

When values of all property have shrunk to half their size, they will be about the size of debts.

The history of nations shows that when the debts of a country are two-thirds of the value of all its property, disintegration sets in. Strikes—riots—revolution—provisional governments, as with our neighbors in South America at the present time.

When you reduce wheat to 50 cents, and all other property accordingly, you don't reduce debts at all. You only make it harder to pay them.

8. If a bimetallic or silver standard nation, or its people are largely in debt, with the obligations payable in gold, the effect is serious. Take our South American republics to illustrate it:

During the last 30 years they have been getting deeper and deeper into debt to England, and during the last 25 years these debts have been made payable in gold.

Each year, with the advance in gold it takes more and more of their products, or silver, to pay the gold bonds; they must give up in silver \$1.25 to pay \$1 in gold—\$1.50 in silver to pay \$1 in gold—\$1.75 in silver to pay \$1 in gold, and so on, as the purchasing power of gold advances; and at the present time \$2 in silver to pay \$1 in gold.

So that a bond for \$100,000 executed by them when silver and gold were at a parity, payable in gold, must now be met by the payment in principal of \$200,000 in their money. That is—to raise the \$100,000 in gold, they must sell 200,000 of their silver dollars. You will notice in the London financial reports the price of Mexican silver dollars as 50 cents or 49 cents as the case may be; which means that about two Mexican silver dollars are accepted in payment for one dollar in gold settlements.

The bonds of these countries, both national and private, are held in England for large amounts, and the enhanced value of gold is having a very serious effect on their prosperity.

We are now an ally of England in depressing the price of silver and enhancing the value of gold. . . .

Our silver dollars are at par with gold by reason only of our enforcement of the gold standard—redeeming silver with gold. Otherwise we are with reference to debts in the same fix as our Southern neighbors, with this difference; while they settle their foreign debts only in gold, we settle both foreign and domestic debts on the gold basis, and in each instance part with about two portions of property in settlement for one portion of debt.

9. To wait on England is puerile and unnecessary. Her interests are not our interests. "But," you ask me, "how are we to do it?"

It will work itself. We have been frightened at a shadow. We have been as much deceived in this respect as we have about other matters connected with this subject.

Free coinage by the United States will at once establish a parity between the two metals. Any nation that is big enough to take all the silver in the world, and give back merchandise and products in payment for it, will at once establish the parity between it and gold.

The Case for Gold

many cars to a train as formerly, and doing a far greater volume of business, there is no way to account for a decline in rates except by charging it to the gold standard? I should think freight charges *ought* to be less than formerly. If they were not, I would say there was outrageous robbery. . . .

"That is your whole case. The same progress has been made in every line of industry as well as in railroading, and if you admit that railroad rates are legitimately and properly lower you must admit that the same cause has a natural and legitimate effect when it reduces other charges. Why, every time one day's labor is saved from a ton of pig iron the price legitimately falls that much."

7. The ideal standard of value is the productive value of manual labor. We can only approximate to it in our monetary standard, but can keep it in sight and know when we are leaving it. If a man borrows a given amount of money it is essential to justice that when he comes to pay it the sum shall represent the same amount of labor and self-denial that it did when he received it. If this is the case the lender receives back the same days' work that he advanced, plus the interest agreed upon, and the transaction is as square and level as the exchange of work so common among our farmers in harvest and threshing time.

What is our condition in recent years as compared with twenty-five or thirty years ago? The most tangible and authoritative showing we have is the senate report upon wages and the cost of living, made in 1892. . . . It found that, comparing 1892 with 1860, and averaging the occupations, the labor which would earn \$100 in goods in 1860 would earn \$170 in goods in 1890.

8. How many contracts are there in this country now made prior to 1873? An insignificant proportion. You propose a sweeping act to correct an alleged injustice in these few cases. Thousands of men have borrowed money since then, and used it profitably, and you would relieve them of paying one-half of their just debts. . . .

The savings banks of this country hold nearly 2,000,000,000 dollars, belonging to 4,830,598 depositors; an average of \$369.55 to each. Comparatively little of it was deposited prior to 1873. Is it just to scale these deposits one-half? The life insurance companies owe their policyholders about \$600,000,000 paid-up insurance. Is it just to authorize them to pay it off at 50 cents on the dollar? The building and loan associations hold \$526,852,882, belonging largely to wage-workers. Is it just to reduce this value one-half? . . . When the American people see all that it includes, they will make short work of it.

9. In 1878 an effort was made to stay the downward course of Silver by the Bland-Allison Act, which restored its full legal tender quality and provided for the coining of not less than \$2,000,000 per month. . . . In 1890 another step was taken with a view of sustaining the still sinking price of silver. This was the Sherman Act, which provided for the purchase of four and one-half million ounces per month, and the issue of treasury notes in payment. This law expressly declared it to be the purpose of the United States government to maintain the two metals at parity with each other at the legal ratio.

Still the price of silver continued to decline, and it being evident that grave doubts existed of our ability to keep this pledge good if the silver currency was continually increased, the purchasing clause of the act of 1890 was repealed. . . .

COMPARE THE VALUE THEN DECIDE 1½ TON FEDERAL 6 \$695

Standard 130" W. B. Chassis F. O. B. Detroit, 4-Cylinder Chassis furnished at lower price of \$670

Match this 1½ ton Federal Six against any truck anywhere near its price. Check weight, construction, power. You know that long life, dependability and economy are impossible without balanced chassis weight. This Federal weighs 3225 pounds. There are no passenger car parts in its make-up. Every unit is made husky to stand the punishment of hard service. It's ALL-TRUCK through and through. 72 H.P. truck motor—4-wheel hydraulic brakes—full floating rear axle—are a few of its features. But make your own comparisons—see a Federal dealer.

Other Federal models up to 7½ tons are just as outstanding in value. Write for literature.

FROM END TO END IT'S ALL TRUCK THE NEW 3 TON-6 WHEELER AT \$1050

4-cylinder single drive \$1050; 4-cylinder dual drive \$1350; 6-cylinder single drive \$1150; 6-cylinder dual drive \$1450; chassis f. o. b. Detroit

This truck sets a new standard for low cost transportation. It's a big, sturdy 3-tonner—a six-wheeler of exclusive patented design—engineered by Federal—built by Federal. It is positively the

biggest truck value ever offered. Features include large hydraulic brakes on all six wheels—double rear springs—single or dual drive. Federal six-wheelers are also available in 4 and 6 ton capacities.

FEDERAL MOTOR TRUCK CO., DETROIT, MICH.

When visiting a FEDERAL dealer please mention Nation's Business



Good Taste!
...in the water
...in the cooler

For health, drink 8 glasses of properly cooled water — 50° water — every day.

Westinghouse *Dual-automatic* *Electric Water Coolers*

Help yourself to a refreshing drink from a Westinghouse Cooler. Feel its tingling coolness as it trickles down your throat. Enjoy its tonic power as it tones up your body and relieves work-strain. Then ask yourself why it tastes so good. There is only one answer. The Westinghouse is *Dual-automatic* — built to keep drinking water at 50°, its most healthful temperature.

You need a Westinghouse Cooler for the many health-benefits it provides. You need it because it supplies an abundance of 50° water constantly, on the hottest summer day or in the coldest winter weather. But that is not all. You should have a Westinghouse *Dual-automatic* Cooler because it is designed in good taste. Its glistening panels of black Micarta add refreshing beauty to your office. This finish cleans like

polished ebony and retains its lustre year after year. Cleverly inlaid aluminum strips, complemented by mirror-like Chrome-plate on hardware and fittings, augment the rich black beauty of the cooler and give it sparkle and life.

Westinghouse *Dual-automatic* Coolers are available with refrigerated lock-compartments especially convenient for keeping bottled beverages cool and palatable in the private office. Other models without compartment can be spotted throughout plant and office to supply the one thing workers need — pure, sparkling water — to stay "on top of the world" every working day.

Tear out the memo below and have your secretary write for health-facts about properly cooled drinking water. Complete details and illustrations will also be sent to you.

MEMO TO YOUR SECRETARY... TEAR ON DOTTED LINE



Write Westinghouse Electric & Manufacturing Company, Merchandising Department, Mansfield, Ohio, for special folder MGC-1457-3 giving details about *Dual-automatic* Water Coolers.

When writing to WESTINGHOUSE ELECTRIC & MFG. CO. please mention Nation's Business

Kansas Studies the Tax Problem

THE Kansas Chamber of Commerce decided that there was little value in studying tax proposals and making reports and recommendations unless the general public could be carried along.

That Chamber originated the "Tax Study Club Plan"—a course of 13 lessons—to help the taxpayers inform themselves concerning taxes. The sponsors of the Plan—Kansas Chamber of Commerce, University of Kansas, Kansas State College, Kansas State Farm Bureau, Kansas State Grange, and Kansas Farmers' Union—are attempting to dictate no tax program. Rather, they are making the facts concerning all taxes known as widely as possible.

It is recommended that tax-study clubs be formed under competent leadership to study the thirteen lessons in taxes that the sponsoring organizations have formed. The tax lessons are being sold at cost, 60c. Some of the lessons are: Why taxes? governmental expenditures, governmental revenues, the general property tax, property-tax administration, classification of property for taxation, state income taxes (two lessons), consumption, production and business taxes, highway taxation.

Though designed specifically for Kansas taxpayers, the course, with small modifications, might profitably be studied by taxpayers of other states.

Foreign Trade Week

BEGINNING five years ago in Los Angeles, the celebration of Foreign Trade Week is extending now over the whole Pacific Coast and promises to be even more important if the date is changed, as is contemplated, to the week or second week before the annual meetings of the Foreign Trade Council (May 4-6 this year).

This year Foreign Trade Week was celebrated in Los Angeles with special programs in more than 100 service club meetings and gatherings of a similar character in southern California. Foreign flags were flown and the Chamber of Commerce made a special exhibit. The week closed with a big celebration at the Harbor on February 22 called Harbor Day by the committee.

This company now gets QUICKER SALES REPORTS —AT LOWER COSTS

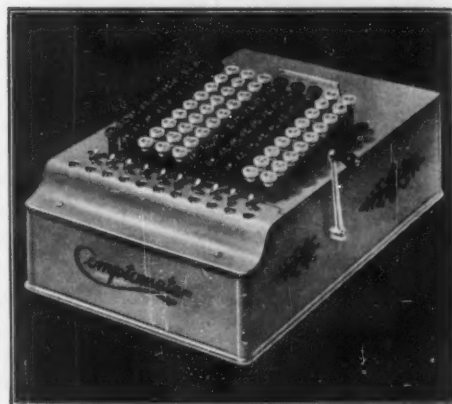
IMPORTANT companies in virtually every line of business are turning to Comptometer methods for greater speed and economy in sales-analysis work. The secretary of a large industrial company writes: "We have now had the Comptometer and Distribution Peg-Board system in use for some months, classifying sales as to Brands, Salesmen and Commodities. As a result, we are not only getting the reports out much earlier, but are doing so at an annual saving of approximately \$5000 over our old system."

Such savings in time and money are vitally important today. In order to direct present and future sales-efforts intelligently, information on past sales must be available at the earliest possible date. And

when every expense counts, that information must be obtained at the lowest possible cost.

The Comptometer and Distribution Peg-Board method of performing figure-work achieves speed and economy in several ways. It is a method which is adaptable to the individual needs of each business. A method which is readily flexible to the volume of items handled. A method which gets *final* figures from *original* records, eliminating slow and costly recopying.

A Felt & Tarrant representative will be glad to point out further advantages of the Comptometer and Distribution Peg-Board, as applied specifically to your business. Actual comparative tests will be made to



THE COMPTOMETER
Made only by Felt & Tarrant

convince you of our method's superiority. You are under no obligation for this survey of your needs. Just telephone your local Comptometer office, or write direct. FELT & TARRANT MFG. Co., 1712 North Paulina Street, Chicago, Illinois.

COMPTOMETER

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(TRADE MARK)

A U T O M A T I C
A C C U R A C Y

When writing to FELT & TARRANT MFG. Co. please mention Nation's Business

Ten Governors Discuss Taxes

(Continued from page 36)

Officially and personally, I am opposed to the constantly increasing cost of government. In my opinion, there are far too many bureaus, commissions, and other public agencies. This applies to federal, state and county governments and to municipal government in the larger cities. Congress should confer upon the President and the legislatures upon the Governors the authority to consolidate these public agencies and to dispense with those not needed.

Nevada's Budget Balances

By Governor F. B. BALZAR

NEVADA is in most excellent financial condition; the total bonded indebtedness being approximately \$1,042,000, and of this amount approximately \$176,000 will be redeemed prior to the first of July, leaving on that date, a total bonded indebtedness of \$866,000.

Of the total bonded indebtedness all except a negligible percentage is held by the State's own departments. That is to say that the entire bonded indebtedness of the State is to its own funds.

The State budget is balanced, our laws prohibiting the contracting of indebtedness, unless the money is in the Treasury where-with to pay the same, and additional indebtedness is unlikely this year.

Florida Orders Her Finances

By Governor
DOYLE E. CARLTON

THERE is a deadline which, when reached by the taxing powers, marks the decline of a nation's prosperity. We are dangerously close to that deadline now.

In Florida, we are cutting our expenses to meet our requirements. Since the fiscal year 1928-29 we have cut expenditures for state purposes from \$22,642,517.69 to \$15,575,903.36. Our present budget includes the following items:

For roads \$6,135,709.42 (a large part of this is for maintenance); for institutions of higher learning, \$2,232,409.92; for such institutions as the Prison Farm, the State Hospital for the Insane, the Boys' Industrial School, the Girls' In-

dustrial School and the Farm for the Feeble Minded, \$1,679,286.

This item also includes several departments supported by fees such as the Game Department, the Shell Fish Department, the Hotel Commission and the Agricultural Department. We are today saving in operating cost in the Game Department \$136,420.64 (nearly 50 per cent) a year; in the Tag Department \$199,281.03; while the Hotel Department is operating 50 per cent under its boom-day expenditures. The same is true with the Shell Fish Department. The Road Department has saved in operating cost through the past three years of my administration \$1,200,000 and we are today maintaining 6,000 miles of highways at substantially the same cost that 2,800 miles were maintained three years ago. In our eleemosynary institutions we are maintaining an average of 25 per cent more inmates at an aggregate cost of ten per cent less.

During this period when Florida was hit worse than many other states not only with the general depression but with the boom and its collapse, the Mediterranean fly pest and two hurricanes, she has so ordered her finances as to make ends meet, made a reasonable reduction in an indebtedness of \$1,175,000 handed down by the previous administration, cut the State millage to 4 $\frac{1}{8}$ and reduced general property assessments about 30 per cent.

In addition we are collecting and sending back to the counties for the operation of the common schools \$5,000,000 a year new money which has made possible local tax reductions. This money comes entirely from the Automobile License Tax. One of the chief problems of the State has been county burdens made heavy by large bond issues. The State is helping meet this situation by collecting and applying to the credit of the counties for the retirement of bonds, \$6,700,000 a year. This money comes from the gas tax.

New Program in Michigan

By Governor
WILBER M. BRUCKER

PUBLIC expenses for state and local government in Michigan have followed the trend of the country generally, and have increased to proportions that are out of line with the present level of values. No small part of this

situation has resulted from borrowings which in this state aggregate about \$850,000,000, and which necessarily entail a considerable levy of taxes for debt service. Many other items might be cited which are more or less in the nature of first charges, and these are the things which frequently discourage the administrative officers who attempt retrenchment. However, the times are such that Michigan will, in my opinion, be able to cut through many of the barriers which normally interfere with a program of adjustment of public expenses to private pocketbooks.

With this in mind as the principal object, I am convening a special session of the Legislature to which I expect to present a program of sufficient scope to indicate definitely my views.

There is a small deficit in the state general fund, but administrative economies are enabling us to reduce this.

While I shall make every effort to reduce this deficit further, I wish to say in defense of those administrative officers who do not have the opportunities for making similar reductions, that there is such a thing as a "respectable deficit." In other conditions, the probabilities of economic administration are perhaps greater where some deficit exists than where the provision of revenues has been so generous that no question of a shortage of funds can arise.

The Situation in Connecticut

By Governor
WILBUR L. CROSS

THE financial condition of the State of Connecticut is revealed by the following facts:

That within a year the state has retired \$2,955,000 of its bonded indebtedness, leaving a bonded indebtedness of \$13,333,610;

That a sinking fund for the payment of these bonds that become due July 1, 1936, has been provided for and is now large enough so that the bonds could be paid today if they were due;

That there is no floating debt;

That there is a cash balance in the Treasury of \$3,620,558, which will probably be sufficient to pay the necessary state expenditures up to the time of our tax receipts on July 15;

That a balanced budget will be pre-

sented to the General Assembly at its next session in January, 1933;

That the budget report will probably recommend reductions in expenditures as a means of balancing the budget rather than an increase in taxation, but the Financial Department will be in a position to suggest means of increasing revenue if the Legislature refuses to follow the recommendations for decreasing expenditures.

No New Levies in Kansas

By JONAS W. GRABER,
Budget Director

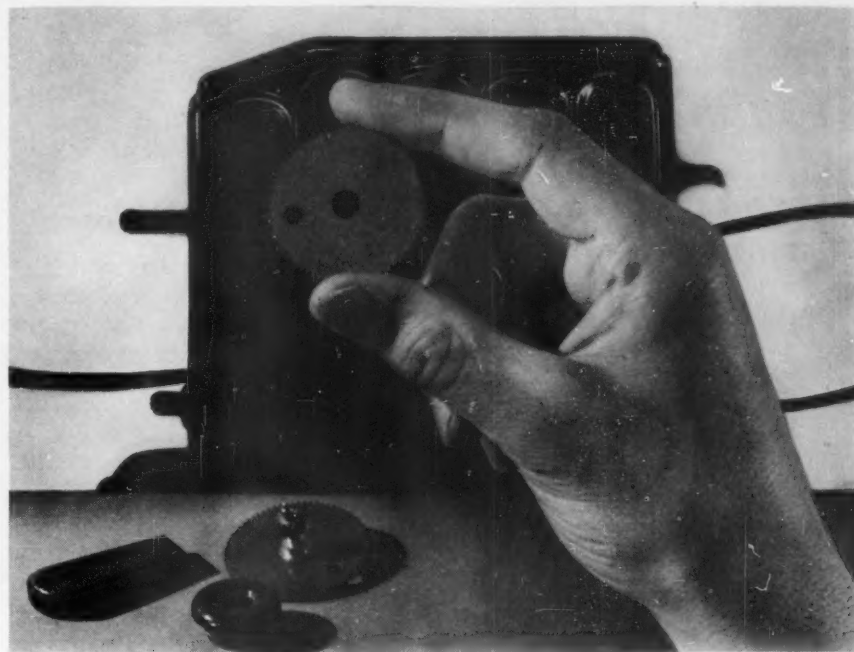
WE are coming through the fiscal year 1932 with substantial balances in all state funds. Kansas has balanced its budget by reducing state expenditures. In every department and institution under the Governor's jurisdiction, expenditures are from ten to 25 per cent below the last legislative appropriations. We are making no new levies. In spite of the fact that our Tax Commission has reduced valuations 14 per cent on real estate and eight per cent on city improvements and the fact that we are facing a heavy decrease on the valuation of personal property, we are not increasing our state levy above what it was last year.

Kansas has no bonded indebtedness except the Soldiers' Bonus bond. The only new proposals we are submitting to our voters are the graduated income tax and a 20 mill limitation tax amendment. It is my belief and hope that both will be adopted by the Kansas voters next fall.

In my own view, the cost of government is rising simply because the American people demand too many governmental functions and too much service from the government whether local, state or national. The problems which we face today were not created during this administration, they are of much longer standing. We, the people, permitted this condition and we, the people, are responsible.

After all, the government is conducted by public will and so tax burdens of today are a result of public demands of yesterday. I might also say that our public problems are no greater than private and individual problems. The payment of taxes is not more difficult than the payment of individual and private debts. Public waste was no greater than private extravagances. With but few exceptions the expenditures of people in all walks of life were beyond their incomes. In all its functions no government is greater than its people.

Just a Detail—but vital



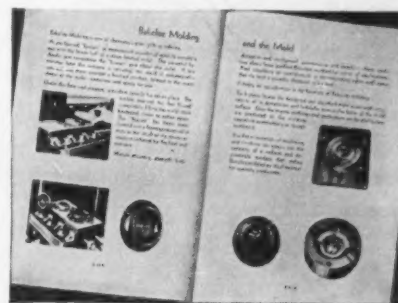
It takes years to build a good reputation, but it does not take much to lose it. The failure of some small and apparently insignificant part may destroy all the good-will behind a product. It is wise, therefore, to choose, design and build each detail with great care. The use of Bakelite Materials for small but vital parts of your product will amount to "good-will insurance."

Bakelite Materials are strong and dependable. They are excellent insulators. They resist corrosive chemicals, water and oil. And the protection that these materials can afford your products need not be costly. In fact, Bakelite Materials are frequently able to effect genuine production savings. If they should cost you a fraction more, the extra cost is small when measured against the protection they afford.

Sometimes a detail is important from the standpoint of appearance

as well as dependable operation. In this case, Bakelite Materials can serve a dual purpose; for the attractive finish, fine colors and durable lustre of both Bakelite Molded and Laminated lend lasting beauty and increased salability to those products for which they are used.

To learn more of the properties and advantages which make Bakelite Materials so well suited for use in vital parts, write for our illustrated booklets. Ask for 1M, "Bakelite Molded," 1L, "Bakelite Laminated" and 1V, "Bakelite Varnish."



BAKELITE CORPORATION, 247 Park Ave., New York . . . 635 West 22nd St., Chicago
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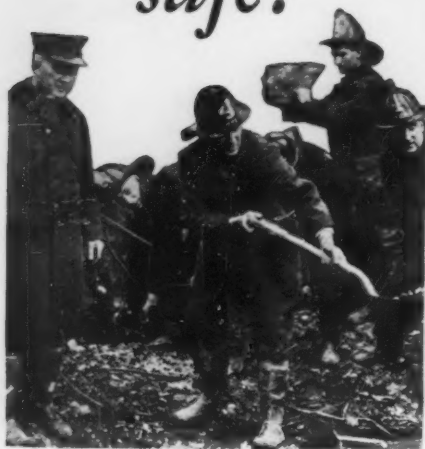
The registered trade marks shown above designate materials manufactured by Bakelite Corporation. Under the capital "B" is the universal sign for safety in unlimited quantity. It symbolizes the safety number of present and future uses of Bakelite Corporation's products.

THE MATERIAL OF A THOUSAND USES

When writing to BAKELITE CORPORATION please mention Nation's Business

OFFICE MANAGERS

*are your
records
safe?*



BURNED RECORDS delay resumption of business

IF fire struck your office tonight, what would happen to your "Proof of Loss" records? If they burned, you'd find it almost impossible to resume business. In fact 47% of companies never start up again. Why? Because loss of customer records generally means immediate loss of customers. Loss of inventory records brings unavoidable delays in insurance settlement.

FREE Fire Hazard Report

Are your records safe? We'll gladly make you a free Fire Hazard Survey. It will take only a few minutes of your time. Mailing the coupon brings you this precautionary service without any obligation! So why not mail the coupon now!

Art Metal

STEEL OFFICE EQUIPMENT

ART METAL CONSTRUCTION COMPANY,
DEPARTMENT 77, JAMESTOWN, N. Y.

I would like to have a free Fire Hazard Report for my records.

SIGNED.....

FIRM NAME.....

ADDRESS.....

When writing please mention Nation's Business

Research to Aid Employment

(Continued from page 39)

the plan is proving a splendid success.

The fourth job was with a plumbing establishment. They hired a man to make a systematic canvass of the community. At each home he stated that he had been asked by Mr. Smith of the Smith Plumbing Company to present an inexpensive filter for the faucet. This naturally gave him an approach, because he was usually asked to put the filter on the faucet. Then he could determine whether there were any odd jobs a plumber could do. He was even instructed to make simple adjustments himself without charge. Just another case of building good will through a little unusual initiative.

Job number five was in a small department store. The young woman placed will spend her entire time in a prominent show window. Perhaps in the morning she will spend most of her time sitting by a washing machine in operation. She will perhaps be reading a book or doing some fancy work to demonstrate that the drudgery of household work can be eliminated by electrical appliances. Inasmuch as shipments of dresses and hats arrive almost daily from New York, her afternoon time will be used to display the gowns which the store has on sale together with a suitable hat for each occasion. She may demonstrate the hanging of draperies or, in fact, anything the store may have to offer on the theory that a live window will attract many times the attention that the ordinary window attracts.

Rides make automobile sales

JOB number six was with an automobile agency. Again, it was a case of putting a man in uniform for the advertising value. His job is to ride around, picking up whomever he may see and give him a lift in a new car. He turns in a report each night to the firm showing the names and addresses of those to whom the car was demonstrated, the approximate length of time spent and the approximate distance covered. The sales agency then follows up each demonstration with a letter to the individual. This plan is based on the theory that, by the law of averages, sales will result from demonstrations.

Job number seven was with another restaurant—this time a Chinese-American restaurant. A man in complete

Chinese costume acts as doorman to call attention to the presence of the restaurant. Of course, this individual must be dignified and silent and probably could be used only in streets where traffic is heavy.

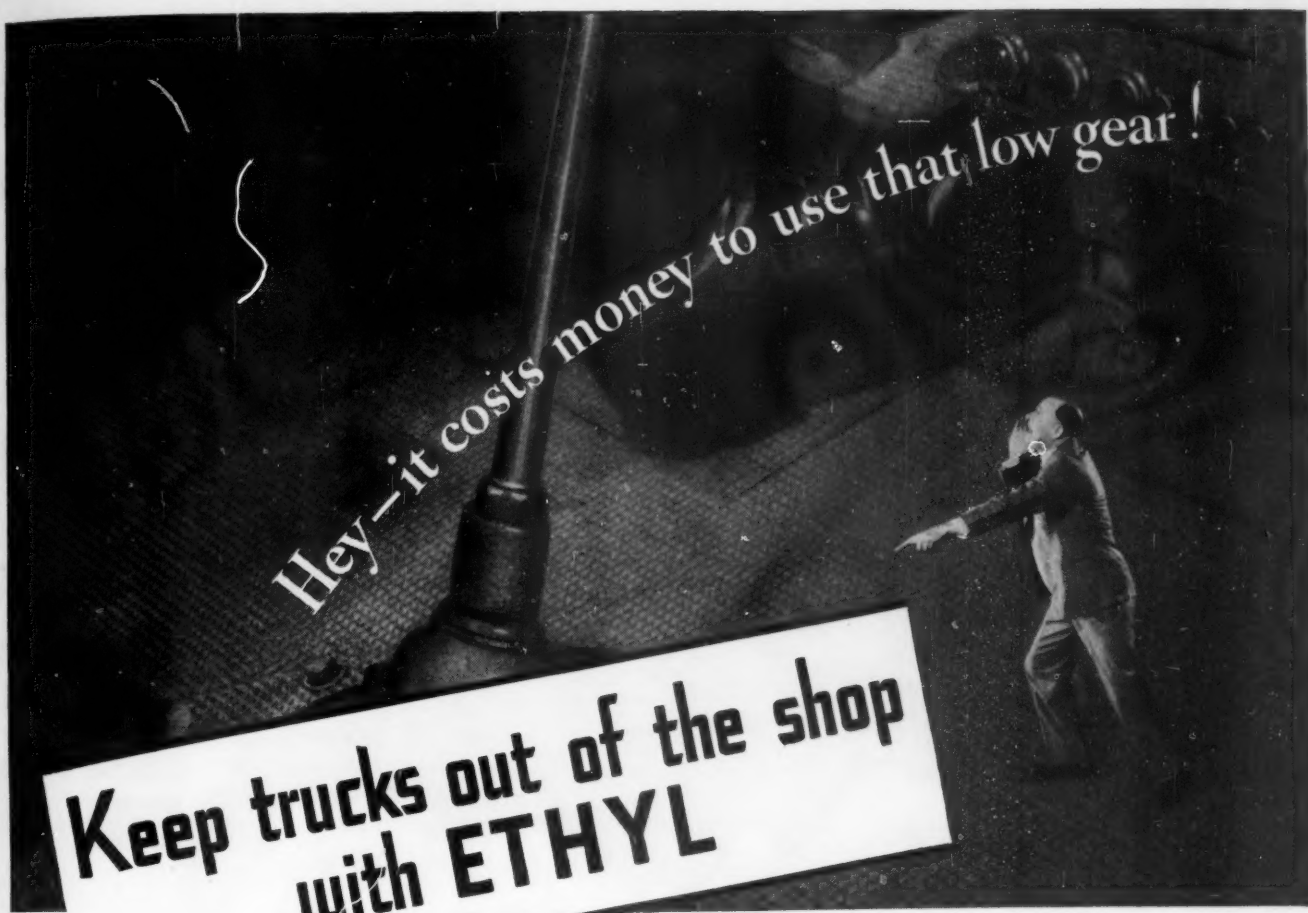
These experiments were made in Morristown, N. J., with a population of 15,197. It is apparent that many more positions exist providing they can be visualized to the point where the employer can be convinced. Accordingly, why not a national "Employment Laboratory" with a staff of advertising experts, perhaps cartoonists, artists, and other creative geniuses to set up new ways of using labor. This would necessitate a sub-laboratory of constructive thinkers in each community to carry out and enlarge upon the national laboratory's plans. It is possible that within the not too far distant future, these laboratories will be operating on a scientific basis. Of course, it will be necessary that each local "Employment Laboratory" be staffed by "scientists" who know the community so well that they will be able to analyze each individual business to develop new places for labor.

New uses can be found

IF BILLIONS of dollars in new pay rolls could be added to the present figures within the next few months, it would have a most salutary effect on business. Perhaps radio could be used to present every new idea that could be used by each community and once the entire public became sold on the practicability of thinking up "new uses for an old commodity" some valuable results would almost certainly follow.

While it is true that all of the placements made so far have been along the line of sales promotion work, scientific inquiry into the possibilities might develop new classifications of employment heretofore unheard of. Possibly some enterprising manufacturer might institute a national contest offering prizes for the most unique description of a new job which had been developed and these new jobs be given publicity through a broadcasting program sponsored by that manufacturer.

Whatever the details of this method, the fact remains that undoubtedly thousands of persons can be put to work as soon as we Americans start thinking in the right direction.



"HOW can I *save* money with a gasoline that costs more?" truck operators who haven't tried Ethyl Gasoline often ask.

Revolution counters on your engines would give you the answer. *Trucks using Ethyl Gasoline complete each trip with fewer engine revolutions.* They don't have to shift gears so often. They get into high sooner and stay there longer.

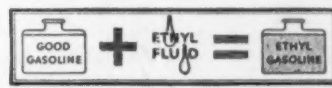
The savings quickly show in maintenance figures. By keeping your trucks in a higher gear, Ethyl Gasoline cuts down engine revolutions, speeds up deliveries and permits you to space overhauls further apart.

Ethyl Gasoline frees you from the old annoyance of harmful knocking. Automotive engineers have definitely proved that even an engine in perfect mechanical condition can knock. *It isn't the engine—it's the fuel that knocks!* Ethyl Gasoline won't knock because the Ethyl fluid controls the power of the gasoline—prevents wasteful, uneven explosions. You get more useful POWER and less NOISE and HEAT.

That's the underlying reason for Ethyl economy. *Ethyl gives more power.* And after all, it's power, not GALLONS, that is the true measure of gasoline value. Ethyl Gasoline Corporation, New York.

ANTI-KNOCK STANDARD RAISED

The anti-knock rating of Ethyl Gasoline has recently been raised still higher. There is more reason now than ever before to use Ethyl. *You get more for your money!*



Ethyl fluid contains lead © E. G. C. 1932



Cut down engine revolutions per trip —

Use ETHYL GASOLINE

The Map of the Nation's Business

By FRANK GREENE

Editor, Bradstreet's



Business conditions
as of May 1

WEATHER conditions and developments in Congress during April combined to disappoint the hopes of the business community that the month would bring a favorable turn of affairs

APRIL was a disappointing month, more so even than was March. April was expected to pick up some of the slip-back of March, but didn't. Indeed its developments were less favorable than March. Chief of them, perhaps, was the failure of Congress to balance the budget. Instead, to business, Congress appeared to seek new openings for extravagances.

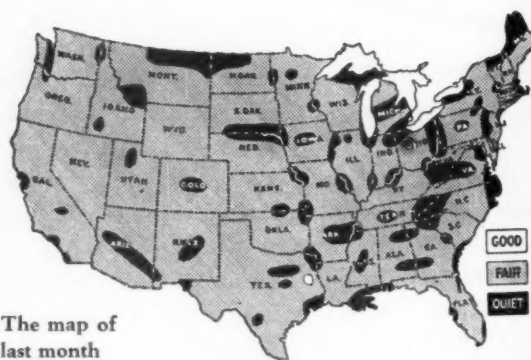
April weather was not favorable to sales of spring goods. Industry, balked and on balance, showed contraction. Spring-planted crops had an irregular start and while out-door operations made for increased employment, manufacturing failed to measure up to hopes.

In the case of winter wheat the practical breaking of the drought in the Southwest spoiled a promising chance for an uprush in wheat prices.

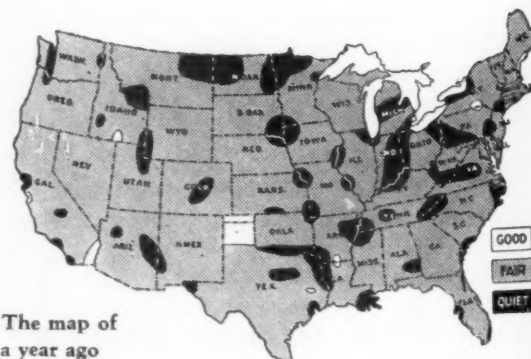
Earnings statements of the first quarter were none too good. Bank troubles were still present despite the vast improvement over earlier months. Credit conditions eased in some directions but there were complaints in others. The passing of the Steel Corporation dividend on common stock was hurtful, even if expected.

In industry, petroleum and petroleum products seemed about the best off. The automobile trade, though gaining, was slow and the steel industry which waited on the automobile rose only slightly.

In wholesale trade and industry, the light industries, par-



The map of
last month



The map of
a year ago

Despite improvement in the banking situation, troubles are still present in this field. Credit conditions eased in some directions during April

Soon . . . You Will Work 1 Day Out of 5 for Taxes!

★ A DECADE AGO, *Nation's Business* made sure it was *right* about the danger of unwise Government-spending—then went ahead!

Editorially, this magazine took a militant stand for reduction of Government activities—competitive, regulatory, “servicing.”

When *Nation's Business* first sounded the alarm against constantly increasing taxation, most people were indifferent.

In those days—when business was on the up-swing—it was easy to be indifferent to higher Government costs, and to increasing assumption by Government of tasks and duties which properly belong to the individual.

Not so today! With the Government “on the road to bankruptcy,” most people see the gravity of the situation. They are rising to action.

THINKING MEN realize that something must be done to keep the snowball of Government-spending from growing ever bigger and bigger. Individuals are exerting their influence. Local tax associations are being formed. Tax revolts are imminent.

In 1928, you “worked one day out of eight for taxes.” In 1933, you will work one day out of every five for taxes!



For a decade *Nation's Business* has fought bureaucracy, the cause of mounting taxes. The years have proved this consistent editorial policy “*remarkably right*.” *Nation's Business* is still fighting—not only

against unnecessary Government-spending—but against all fallacious thinking, misrepresentation, based on unsound, erroneous conclusions.

Today, the prairies are on fire! Everyone knows what “bureaucracy” means. Hundreds of editorials in the newspapers each month inveigh against the Frankenstein monster which causes overwhelming taxation.

The leadership of *Nation's Business* in this fight against unwise Government-spending is accepted by forward-looking, constructive business men. The consistent editorial program of *Nation's Business* is typical of what this magazine can do, and is doing for all business.

This is a particularly good time for your advertising to appear in *Nation's Business*.

NATION'S BUSINESS

300,000 Circulation ★ MERLE THORPE, Editor ★ On newsstands, 25 cents
PUBLISHED MONTHLY AT WASHINGTON BY THE U. S. CHAMBER OF COMMERCE

ticularly the textiles, apparently lost ground with all three showing rather slow conditions. In woolen goods, curtailment was marked; in cottons, price reductions occurred and heavy reductions in output were planned. In silk manufacturing, a reduction in consumption was indicated. After a gain in output over last year for the first quarter, the shoe trade sagged off.

In the heavy industries, building, pig-iron and steel production and soft-coal outputs were slack enough to affect seasonal employment and pay rolls unfavorably.

The decline in stock prices initiated in March went further in April, with new low records. In foreign trade, indications were that only a few lines of

export, as for instance, raw cotton, were profiting by the attractiveness of their prices. Most of this was visible in Oriental takings.

Commodity prices reflected the reactionary trends in the stock market, with the result that the general price level sagged to the lowest point since the spring of 1899.

On the favorable side the early indications of winter wheat yield seem to point to a reduction of the burdensome surplus induced by government intrusion into price regulation. There were hopes that this country might choose this time to quit, as Canada did its Wheat Pool and Japan its silk syndicate.

The spring-crop season was irregu-

lar in starting and there was talk of a slight reduction in planting.

The notable weakness in cotton, corn, tobacco and a number of other agricultural products pointed out other directions in which reduction of acreage might prove advisable, but results were lacking.

Such hope as April gave was based on statistical knowledge of the tremendous shrinkages shown in prices, outputs and distribution since the Great Deflation began.

Some prophets said that the process was fairly well completed and that recuperation and repair were likely to follow as soon as the "shadow boxing" and political maneuvering of a presidential year were behind.

Trade Associations Win Honors

THE benefits of cooperation in business, as exemplified in the trade-association movement, are strikingly illustrated in the entries made this year for the third annual American Trade Association Executives Award. These entries constitute a record of performance in the midst of trying economic conditions which supplies its own endorsement of the principle of business cooperation and at the same time demonstrates both the greater needs and the increased values of such cooperation in times like the present.

While the Award went this year to the American Paint and Varnish Manufacturers' Association, each of the other 14 associations entered, in the words of Secretary of Commerce Lamont, chairman of the Jury of Award, "demonstrated achievements in many directions."

The Award, based on association accomplishments considered most valuable to the public, to the association's own industry and to industry at large, was presented at the A. T. A. E. dinner meeting at the Waldorf-Astoria Hotel, New York, April 5. Concerning the Paint and Varnish Manufacturers' Association's activities the Jury said:

This Association carried through a program which was comprehensive, well coordinated and effective in the interest both of the public and of the industry. The voluntary agreement under which the Association set up and successfully operated an Unfair Competition Bureau is a conspicuous tribute to the Association's courage and initiative. This Bureau, established in 1929, has now had a good test and on the record has been remarkably successful. It represents an outstanding attempt at self-dis-

cipline, and as such affords striking evidence of industry's ability to regulate itself in its own and the public's interest. In its provisions first for nongovernmental arbitration and finally, if that fails, for submission to the Federal Trade Commission, it is sound in conception and effective in practice. Here is an industry which is organized on the principle that its own interests are best served by protecting the public against the unfair and unethical practices of the few. Such enlightened and courageous action deserves recognition.

Honorable mention was given four other groups—the Association of American Soap and Glycerine Producers; the Cotton Textile Institute, the Northern Hemlock and Hardwood Manufacturers Association and the National Bureau of Casualty and Surety Underwriters.

The Cotton Textile Institute's work in bringing about the discontinuance of night employment of women and minors under 18 in cotton mills was cited, also its work in promoting a better appreciation of the many uses of cotton.

Service helped sales

THE Association of American Soap and Glycerine Producers was accorded mention "for stabilizing its industry by joining product appeal with social service through the establishment and operation of Cleanliness Institute." This Institute served as the agency through which the Association sought to acquaint the public with the social, moral and intrinsic value of cleanliness.

Mention was given the National Bureau of Casualty and Surety Underwriters "for conspicuous success in the field of accident prevention and the con-

servation of life and property," a work which also won it honorable mention last year.

Citation of the Northern Hemlock and Hardwood Manufacturers Association was "for stabilization of production and employment."

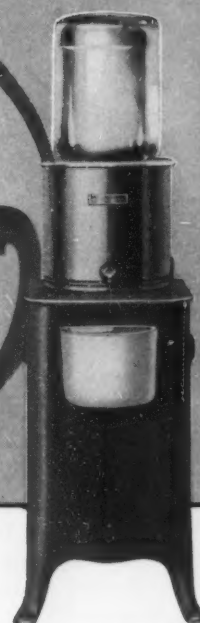
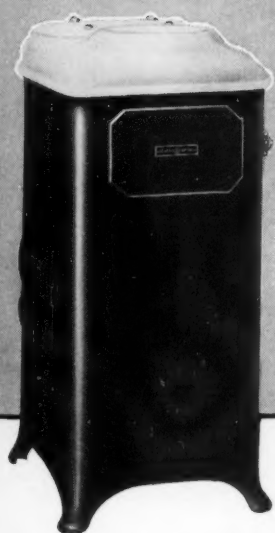
Faced in the spring of 1931 with the fact that stocks on hand were sufficient to take care of all business for two years, this Association took active steps to minimize the resultant unemployment, loss of capital assets and threatened stagnation in the industry. An agreement, covering the year ending July 1, 1932, was drawn up whereby Wisconsin lumber manufacturers agreed to produce not more than 28 per cent of the lumber produced, on the average, in 1927, 1928 and 1929. A committee of seven lumber manufacturers was chosen to administer the plan. A committee of five persons not connected with the lumber industry was named to protect interests of the public and, if necessary, to declare the agreement ended.

As a result of the operation of the plan, this industry has balanced shipments and production for the first time in two years and labor has been given employment where otherwise it would have had none.

On the Jury of Award this year were Secretary of Commerce Lamont, chairman; Owen D. Young, chairman of the board of the General Electric Company; Walter Dill Scott, president of Northwestern University; Francis P. Sisson, vice president of the Guaranty Trust Company, and Merle Thorpe, editor of NATION'S BUSINESS.

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too cold. There's no wasting. Operation is completely automatic. The precooling feature of the Pressure Water Coolers, a development of General Electric, reduces operating cost by utilizing cold waste water to cool incoming drink water.

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Join the G-E Circle. A special program for women every week day at noon (except Saturday). On Sunday at 5:30 P. M. a program for the whole family. (Eastern Standard Time). N. B. C. coast to coast network

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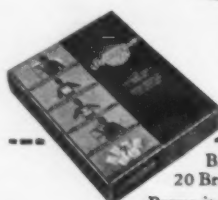
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How Business Views the Budget Crisis

(Continued from page 38)

ganizations have steadily declared that the Federal Government should leave these to the states. However, in the referendum to which I have been alluding, they voted that, by reason of the emergency needs for revenues, the estate tax should be kept as it is, without increase. But the present House bill would raise the maximum rate 80 per cent over the highest rate used in war times, an action with an obviously ulterior purpose. Holding to the belief that this measure should levy taxes for revenue purposes only, it is submitted that the rates for the estate tax should not be increased in a measure designed to meet such purposes.

Another provision in the House bill recognizes the need for a reasonable measure of relief for a class of estates which are seriously affected by the rigid provisions of the estate tax now in effect. These estates are those of persons who happened to die when prices were high. Under the present law, however, the tax must be paid from and upon these estates at a time when they can be liquidated only by taking huge losses.

But for death and the demands of the estate tax most of the property in question would not be liquidated in times of depression. The result of this forced liquidation is that the present tax takes more of the estate than Congress could have contemplated. There are instances in which it is said the tax will take the entire estate. The high prices prevailing when death happened to occur may have been of no interest, and of no benefit, to the decedent, yet his estate under the present law suffers serious depletion through no fault of his, nor of those now in charge of the property.

Of the 1,156 member organizations of the Chamber which have recorded their position on this subject all but 42 were in favor of some form of relief which would cause the tax to have the approximate relation to the estate that was intended by Congress. The House bill provides that, in the event that death occurred between September 1, 1928, and December 31, 1931, inclusive, the tax may be decreased to an amount which has the same ratio to the tax determined under present law as the ratio of the value of the estate 18

Where Business Will Meet in June

DATE	ORGANIZATION	CITY
1-3	American Petroleum Institute	Tulsa, Okla.
2	Association of Manufacturers of Wood Working Machinery	Chicago
2-4	National Safe Deposit Advisory Council	Los Angeles
5-10	National Electric Light Association	Atlantic City
6-7	American Association of Insurance General Agents	Hartford, Conn.
6-9	National Fertilizer Association	White Sulphur Springs, W. Va.
6-9	National Stationers Association	New York
6-9	National Association of Retail Grocers	St. Louis
6-9	National Association of Purchasing Agents	Detroit
6-10	National Association of Building Owners and Managers	Chicago
6-10	Association of Operative Millers	Louisville, Ky.
6-10	American Institute of Banking	Los Angeles
9-11	New England Coal Dealers Association	Portland, Me.
12-17	Society of Automotive Engineers	White Sulphur Springs, W. Va.
13-15	Flavoring Extract Manufacturers Association	Atlantic City
13-16	National Association of Cost Accountants	Detroit
13-18	The Wire Association	Pittsburgh
14-15	National Association of Certified Public Accountants	Washington
14-16	National Macaroni Manufacturers Association	Niagara Falls
15-17	Pacific Coast Electrical Association	Pasadena, Calif.
15-17	American Railway Development Association	Louisville, Ky.
15-17	American Institute of Chemical Engineers	Corning and Schenectady, N. Y.
16-18	Southern Hotel Association	Richmond, Va.
20-23	American Electro-Platers' Society	Philadelphia
20-23	American Society of Agricultural Engineers	Columbus, Ohio
20-23	National Association of Master Plumbers of the U.S.A.	New York
20-24	American Institute of Electrical Engineers	Cleveland
20-24	Association of Iron and Steel Electrical Engineers	Pittsburgh
20-24	American Society for Testing Materials	Atlantic City
20-24	National Leather and Shoe Finders Association	West Baden, Ind.
20-24	National Association of Credit Men	Detroit
20-25	American Dental Trade Association	Virginia Beach, Va.
20-25	American Home Economics Association	Atlanta
21-25	National Retail Credit Association	Washington
22-July 1	American Society Mechanical Engineers	Lake of Bays, Ontario
wk. 26	American Optometric Association	Cleveland
27-28	Stained Glass Association of America	Boston
27-29	American Society of Heating and Ventilating Engineers	Milwaukee
29-July 1	National Association of Real Estate Boards	Cincinnati
27-29	Pacific Coast Paper Box Manufacturers Association	San Diego
28-30	American Dairy Science Association	Lexington, Ky.

Secretaries of national trade associations are urged to notify Nation's Business of their coming meetings. Notice of conventions should reach Nation's Business at least 30 days before date of publication of the issue in which they are to appear.

"I'm no Tire Expert...but I do know Figures"



"I'LL ADMIT IT. I was a skeptic. All truck tires *looked* about alike to me. I thought they were all about alike. Then something happened to open my eyes. Operating reports began to come through on these new Goodrich Truck Balloons.

"Listen to these figures. 'Since changing our trucks over to Goodrich Heavy Duty Express Balloons road delays due to tire failures have dropped 44.9%. Operating costs are materially lower. Accidents have been reduced 30.8%. Previous mileage records have been practically doubled.'"

"Hard to believe? Of course, it was. Nothing else could have convinced me there was so much difference. Now I am sure what tire is best. I'm no tire expert, but I *do know* figures."

The additional mileage, cushion, traction and safety made available now in this tire can mean lower trucking costs—higher trucking efficiency for you.

Get the facts now. From your nearest Goodrich Distributor. He's listed under "Tires" in the classified directory. Phone him. The B. F. Goodrich Rubber Company, Akron, Ohio, and Los Angeles, Calif.

*Actual figures. Name on request.



On your trucks they bring these POSITIVE SAVINGS

- Increased mileage . . .
- Lower tire costs per mile . . .
- Fewer blow-outs — delays . . .
- Higher speeds . . .
- Fewer truck repairs . . .
- Fewer tire repairs . . .
- Better traction — braking . . .
- Added safety . . .
- More trips per day . . .
- Improved comfort of drivers . . .

THE NEW GOODRICH *Heavy Duty Express Balloon* has a tougher, 15% deeper tread. Improved design gives 22% more road contact area—as much as 27% greater braking control!

Goodrich Truck Balloons

another B. F. Goodrich Product

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32,000 Rubber Articles • Goodrich Silvertowns • Zippers • Rubber Footwear
Drug Sundries • Soles • Heels • Hose • Belting • Packing • Molded Goods

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A Pittsburgh Chain-Link Fence around your plant is a formidable barrier against the intrusion of mischief-makers. It says, in no uncertain terms, "Keep Out" and enforces its edict without violence. Pittsburgh Chain-Link Fence provides a constant, positive and continuous protection for buildings and grounds. Designed to retain its shape, it is sturdy, resilient to shock, and easily repaired. Made of rust-resisting copper-bearing steel, heavily zinc-coated after weaving, it is doubly safe from corrosion. Erected on a strong framework of seamless steel pipe terminal posts and top-rail, and solid "H" section line posts, it will give many years of protection. Pittsburgh Fence erection service is available in every section of the country. We will be glad to furnish an estimate of cost of fencing your property.

PITTSBURGH STEEL COMPANY

732 Union Trust Bldg.



Pittsburgh, Penna.

Pittsburgh Fence
CHAIN LINK TYPE

When writing to PITTSBURGH STEEL COMPANY please mention Nation's Business

months after the death to the value at the date of the death. This provision in the House bill is eminently fair, save for the fact that it goes on to limit the reduction from the tax fixed by present law to not more than 40 per cent. This limitation contravenes the principle recognized by the House bill.

In closing this consideration of the revenue bill as written in the House, it must be added that in the opinion of National Chamber members, the emergency character of the measure should be recognized by a limitation upon the period during which the new and enlarged taxes will be levied. A period of two years would seem appropriate to existing circumstances.

The Senate Finance Committee at this writing is still considering the revenue bill and may depart at many points from the provisions of the House bill which I have considered here. The principles enunciated by the National Chamber member organizations stand, however, regardless of the form in which the bill is finally voted out.

To sum up these principles, National Chamber member organizations hold that, after the budget of expenditures for next year has been reduced to a point consistent with the times, the amount then needed to balance the budget should be obtained by taxes levied strictly for revenue purposes. If there are in the opinion of Congress other matters which should be subjects for remedial legislation, they should be taken up apart from the new revenue measure.

Knute Rockne as a Sales Coach

(Continued from page 20)

superb. First of all he implanted in his men the meaning of teamwork. No prima donnas were wanted. Also—and any reader of the sporting pages has seen how this worked out—every play must be for a touchdown. Other coaches might be satisfied with plays designed for five or ten yard gains, but he wasn't. He demanded perfection.

His detailed study of the work of every man has particular application to the sales field. He considered it his responsibility to bring out the best in every man and his training was not complete until that was done.

Of course there are vast differences between playing football and buying a motor car. The man on the opposite team expects to be trampled on, within reason. He gives as much as he takes.

A customer, on the other hand, is

free to walk off whenever he wishes.

Yet a customer engages eagerly in what can be a well-matched game of wits. He wants to buy if he can be persuaded that this is the thing to do. He has certain stock objections which he brings forward. It is up to the salesman to discover what sort of armor the prospect wears and then direct his salesmanship to pierce that defense and complete the sale.

The sales manager's job is like that of a football coach—to select, train, compensate and inspire. He must be able to scout an alibi. He must be able to recognize genuine effort and encourage it. Likewise, when one man fails, he must know the type who *can* make that job pay, and be able to find that man.

Selling motor cars today calls for continual study and alertness, in the opinion of Studebaker officials.

"Do your best every day," was the gist of Rockne's message to his salesmen—but he employed words and images that gave a dull platitude life.

Advice given individually

"ROCKNE knew that the old-fashioned pep talk has long ago outworn its usefulness," says Hoffman. "He preferred to talk to his men as individuals. One man might need a smart wise crack; one a word of encouragement; one might respond to an emotional appeal and one to logic.

"Rockne was a perfect disciplinarian. His players respected and loved him. He was kindly but extremely strict.

"Salesmen respond to the same type of discipline enforced by Rockne. They do not want an easy-going, lenient boss. They instinctively know that they cannot do their best work or make the most money under lax leadership. It is the job of a sales manager to know where his men are every day and what they are doing. Without such knowledge, true helpfulness cannot be extended."

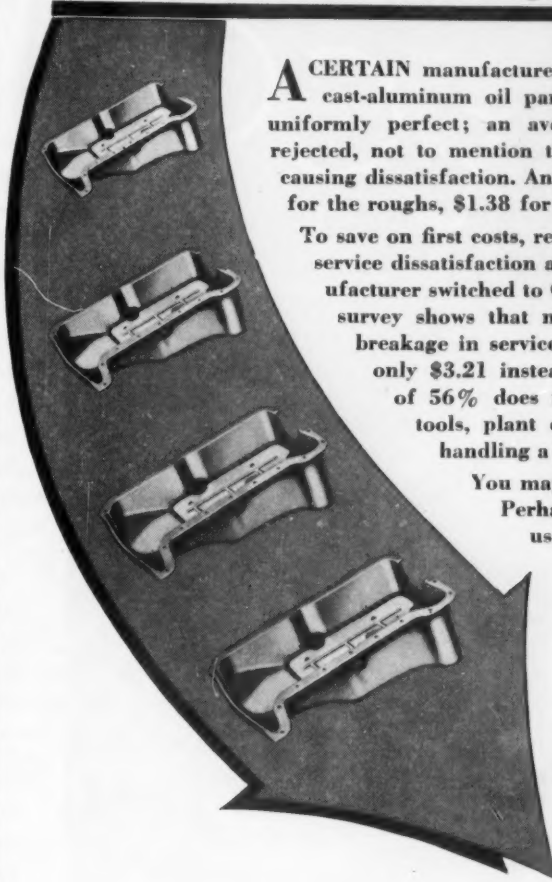
The year 1932, Mr. Hoffman says, calls for the Rockne kind of sales management.

"We are wont to recall the good old days when sales rolled in with little effort," he says. "Times are not buoyant today, but it is a fact that out of the so-called good times comes nothing but soft living and loose thinking. All social and business progress comes out of our so-called bad times.

"Hard working, hard thinking sales management can contribute much to a quick return of prosperity. Application of the Rockne spirit and the Rockne training to any sales organization should start it toward championship."

They Switched to Stampings . . . Saved 56%

Not Including Handling, Machine-Tool Cost, Overhead and Breakage of Castings



A CERTAIN manufacturer of motor trucks was using cast-aluminum oil pans. They could not be made uniformly perfect; an average of one per cent was rejected, not to mention those which broke in service causing dissatisfaction. And they cost \$7.25 each (\$5.87 for the roughs, \$1.38 for machining.)

To save on first costs, rejects, breakage—to eliminate service dissatisfaction and machining costs this manufacturer switched to G.P.&F. Stampings. A Nielsen survey shows that now there are no rejects, no breakage in service, and the cost per oil pan is only \$3.21 instead of \$7.25. And this saving of 56% does not include cost of machine tools, plant overhead, and the saving on handling a light stamping over a casting.

You may be passing up such savings.

Perhaps a way can be found to use stampings on your product instead of castings, wood parts, and the like. G.P.&F. have had over fifty years' experience in finding ways.

Clip and attach coupon to your letterhead, or send a blue-print of the part for a recommendation and quotation.

GEUDER, PAESCHKE & FREY CO.

Sales Representatives in Principal Cities in All Parts of the Country
1419 W. St. Paul Ave.
Milwaukee, Wis.

*Cut out this coupon and clip it to your business stationery.

GEUDER, PAESCHKE & FREY CO.

1419 W. St. Paul Ave.
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Please send your booklet, "In Harmony with Modern Progress" to the address below . . . without charge or obligation.

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Company Name.....

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We Know of

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Many splendid investments await CAPITAL... Industrial, Resort, Tourist, Commercial. Our interest is to develop new advertising. If you want to invest \$5000 up, in a project awaiting expansion, write...

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Free Copies of Merle Thorpe's 12 Radio Talks
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There are a limited number of copies of these talks on hand. They will be furnished free to readers of Nation's Business as long as the supply lasts. Write to

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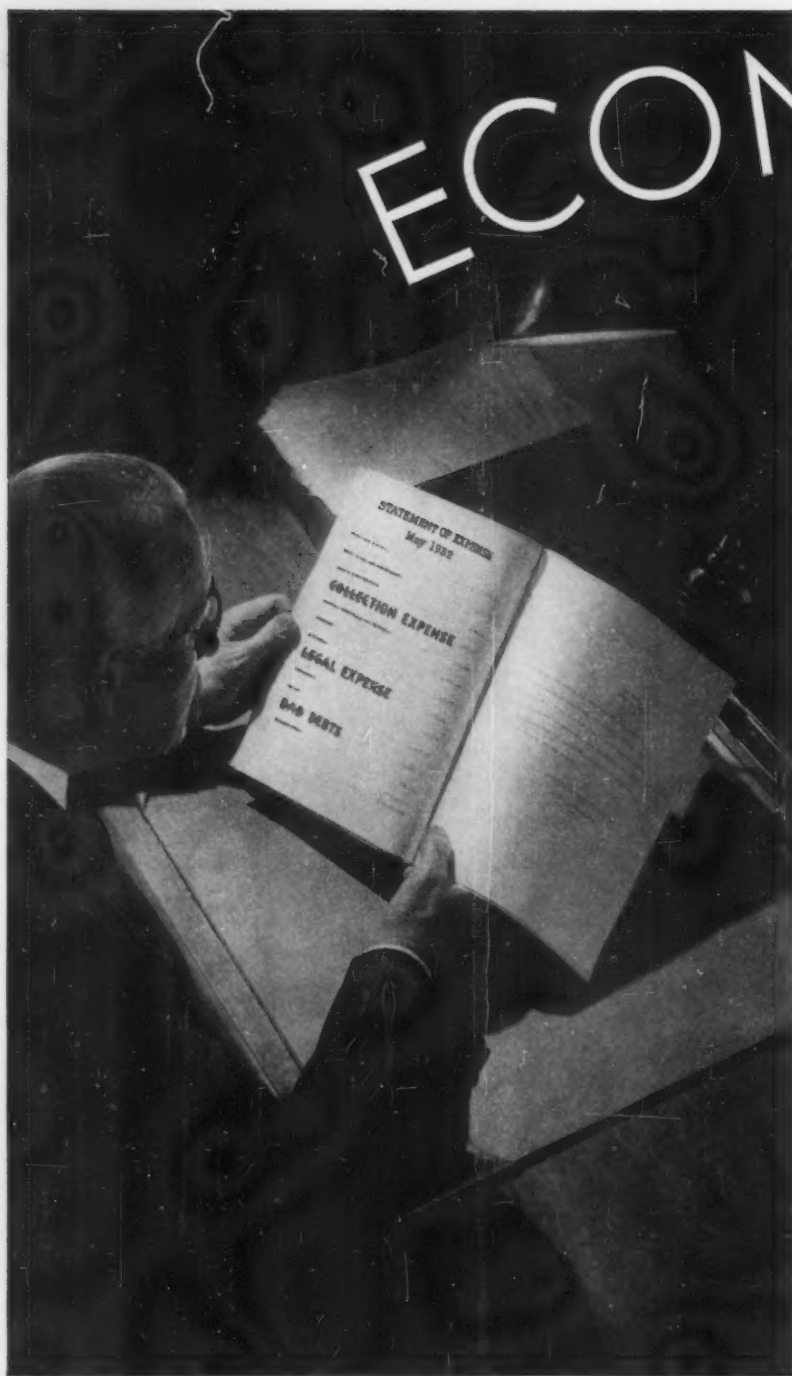
Send this notice with your request

Merle Thorpe's Radio Talks

will be continued through the month of June over the National Broadcasting Company's coast-to-coast network

Every Saturday Night
10:15 to 10:30 E. S. T.

When the Spotlight is on ECONOMY



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OUR representative failed in his duty if he presented C. I. T. Financing Service to you as just a means of turning your instalment paper into cash. To be sure, a banking connection with this institution, whose credit policies have been notably stable, may be of first rate importance to you; in fact, C. I. T. has many clients in special circumstances who require only our discount service.

But there are other considerations which explain why so many firms whose resources are ample for all their needs, nevertheless year in and year out, make regular use of the complete C. I. T. Service.

Examining credits, making collections, attending to instalment detail—these are simple phases but they stand for complex tasks in what is now distinctly a specialized field. Neither a local merchant nor a national manufacturer is likely to get anywhere near the good results per dollar of expense through his own efforts that he may obtain by turning these jobs over for quick, expert handling through C. I. T.'s nation-wide system of local offices.

For firms which are still depending on their own resources or other agencies in these matters, C. I. T. has valuable information drawn from its broad experience in financing many lines of business. Why not invite a C. I. T. representative to go over with you your entire sales financing situation?

**BANKERS TO
INDUSTRY
EVERYWHERE**

Things Talked about in Wall Street

By a Staff Writer of NATION'S BUSINESS

NEW YORK, MAY 7

SHARES sold on the Stock Exchange in the first four months of this year totalled about 60 per cent of the same period in 1931 and 1932 was no year to bring joy and commissions to brokers' offices. The result was that the men whose business centers around Wall and Broad Streets had plenty of time to talk—and plenty of things to talk about.

One thing, of course, was the Senate's inquiry into the so-called "bear raids." The short-selling issue didn't bother the brokers greatly. They feel that there is a good case for the open market both for selling and buying and that President Whitney presented the case effectively.

But—they didn't like the idea of the inquiry going back to the bull pools of the days before the crash.

MONEY in these days is a timid thing. When it finds itself out in the open uninvested, it is apt to look for a good bomb-proof dugout or a cyclone cellar or some other effective hideaway.

In the face of withdrawals due to unemployment and depleted incomes, the mutual savings banks of New York have shown few losses and some gains. There has been a constant opening of new accounts much of it by men and women who a few years ago gave little thought to the savings banks as places for their deposits.

"Sophisticated money" was the phrase a bank officer used in describing such deposits. "Wary money" might be another phrase. Many men and women who have had unhappy experiences when they do have a little money are shy of investments which offer a hope of appreciation. "Safety first" is their cry and the mutual savings banks have a long record of safety and the very bigness of some of them adds to the feeling of solidity.

CAUTIOUS money is coming to the insurance companies in the

form of one-payment policies or policies with a fixed number of yearly premiums to be discounted in advance. Here's a man who finds himself with \$10,000 cash. He doesn't know quite what to do with it. Three years ago he would have dashed into a broker's office, bought 'most anything at the market and have reckoned himself a sound student of investments.

Now he goes to an insurance agent, says, "Here I am, 45 years old and in good health. For how much will you insure my life if I give you \$10,000?" He figures that if he dies his widow will be better off, if he lives a few years he can get his money back.

ASKED how great was the drain on the insurance companies through borrowing on policies as a result of reduced incomes and unemployment, an officer of a large company said to me:

"The situation is not alarming. There is, of course, a steady flow of applications for loans. We expect that in times like these. That's one reason policies

have a loan value—to make them available in times of need. But sales of new life insurance are holding up remarkably well and that, of course, greatly helps the situation."

WHENEVER the stock market goes up a little there is a hesitant but still recognizable flow of investment money into shares of our leading industries. Whenever the market slips a bit, that buying disappears. It's an odd commentary on human nature that a stock which was considered to be a bargain at 20 is a better bargain at 22 and a poorer one at 18.

REED SMOOT, who is chairman of the Finance Committee of the Senate, gave the world a tip on the stock market the other day. He told the world through the *New York Times*:

There is a stock selling on the Stock Exchange for \$6 a share that has many times that amount on hand over every obligation. Another prominent company has one and one-half times the cash on hand of its indebtedness. Many of the leading companies of the country have ready assets that would enable them to pay off their obligations and purchase every share of stock at a price at which the stock is selling.

He followed this up in the Senate by referring to a letter he had received and adding:

This company called my attention to the fact that they have in cash and receivable assets at inventory cost or market value, whichever is the lower, \$13,044,879.52, and current liabilities of only \$603,457. They have only 317,875 shares of stock, which is now selling on the New York Stock Exchange for \$4.50, though the market value of the stock, as shown by their report, is \$40. In actual cash and in goods the stock is worth \$40, but yesterday it was selling for \$4.50.

I desire to say to the American people now, if there is any earthly way in which you can hold your stock, hold it, because there is more intrinsic value back of all stocks than is shown upon the stock market today.



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were selling at \$4.50 or \$6. There was some speculation as to what stocks the Senator meant and who was the author of the letter to the Senator. Wall Street has known for a long time that stocks were cheap if measured by their assets but that hasn't started buying.

SHORTLY after Mr. Smoot's plea for the \$6 share and more optimism, the New York Times came out with a list of 25 industrial and utility stocks with their book values on December 31, 1931, and their market prices at the end of April, 1932. In two-thirds of the cases, market price was below the book value. The striking instance was steel with a book value of \$199 and a market price on the day chosen of 29 $\frac{1}{8}$. The opposite extreme was Coca Cola with a market price of 96 $\frac{3}{8}$ and a book value of \$13.

The buying public, as the writer pointed out, is interested just now in earnings. Fixed assets are a doubtful thing. With all the writing down of inventories that has been going on, no one can guess what the assets of a business would bring if they were under the hammer.

WRITING the other day to Senator Wagner of New York, Professor E. R. A. Seligman, of Columbia, who is one of the Elder Statesmen among economists, gave somewhat qualified endorsement to the Senator's proposal of an emergency peace loan and added:

If we are not very careful we shall see in this country an almost irresistible movement toward real inflation through fiat money. That must be prevented at all costs and a project like yours is one of the surest antidotes to that deplorable eventuality.

That the "almost irresistible movement" is on its way may well be true, but even at the risk of disagreeing with a senator and a professor of economics, I wonder if a government bond issue is the way to head it off. Interest must be met on bond issues and principal must be paid off at regular intervals. The tax burden of the country grows and there is always a group willing to pay taxes and debts in money made on request.

"INFLATION" said the philosopher who was watching the boy chalk up quotations in the customers' room, "is a good deal like liquor. Maybe a little wouldn't hurt, it might even help, but it's awful hard to know when we've got enough. Once you start it is hard to stop. I remember, in the old days before

prohibition, a fellow who used to say 'one drink is too many and two ain't enough.' One try at inflation might not be too many, but I'm sure two wouldn't be enough."

THE amended Glass bill went from the Banking and Currency Committee of the Senate to that august body on April 18 and the next week the executive council of the American Bankers Association gathered at White Sulphur to decide whether or not they liked it. They did and they didn't.

They "approved the bill as a whole with the following amendments" but didn't think this was any time for any banking legislation except to found a Federal Liquidating Corporation, with the capital to be provided by the Treasury or by the Treasury and the Federal Reserve Banks.

ONE of the things they didn't like at all about the Glass bill—now or later—is the clause which restricts national bank and state member banks from participating in investment securities business. The bankers argue that the private bankers haven't adequate resources to finance industry and that furthermore they are not responsible to national and state banking authorities.

NEITHER do the bankers like the idea of giving up their security affiliates by the end of three years. They suggest (through their executive committee) that if the security affiliates had "reasonable" and "proper" regulation by the government, everything would be lovely.

Query: If the bankers got what they ask, government regulation of security affiliates, would they or would they not be complaining in a few years of "excessive government interference with business?"

THE Glass bill authorizes state-wide branch banking by national banks. On this point the bankers recalled their stand a few years ago in favor of the unit bank with community-wide branch banking in city areas and county-wide branch banking in rural districts if "economically justified."

What might be looked for, not at once, but slowly, if the Glass bill became a law, is the centralizing of our banking system into two, three or more major banks in each state with branches spreading out in every direction to the

state lines. Chicago, St. Louis, Memphis, the leading industrial city or cities in each state would be the homes of large and powerful banks.

TALK in banking quarters is that the large New York banks do not like this feature of the Glass bill on the ground that it would deprive them of a great amount of correspondent bank business since many correspondent banks would tend to become branches of powerful banks in the chief cities of their own states. The argument against this is that in the end New York, since it is bound to remain the money center of the United States, would do a larger volume of business with a smaller number of customers and that this would in the long run be more profitable.

PROPOSERS of the branch-banking feature of the Glass bill say that the present is an auspicious time to inaugurate such a system since there would be no scramble to take over smaller banks.

THE Committee of the Bankers Association didn't think there was need of the new clause which permits the Federal Reserve Board to suspend a member bank's credit when "undue use is being made of bank credit for the speculative carrying of, or trading in, securities, real estate or commodities."

Bankers are inclined to object that it is not possible to follow credit from a Federal Reserve Bank through commercial banks and control its uses.

THERE is also feeling that the provision permitting the Federal Reserve Board to remove from office bank officials and directors guilty of "unsound practices in conducting the business" is too drastic, that it does not give an accused banker his "day in court."

B. M. ANDERSON, Jr., of the Chase National Bank, who is one of the strongest opponents of the Glass bill, even in its modified form, ends a consideration of good and bad (more bad than good, he feels) with this sentence:

One important step in the direction of freeing the System from political control is made by the Glass Bill in the elimination of the Secretary of the Treasury from the Board, but the preponderant effect of the measure is to take the regulation of the banking of the country out of the hands of those trained in banking and to put it into the hands of a political authority in Washington.



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Stores Require Better Management

By SIDNEY R. BAER

Vice President and Treasurer, Stix, Baer and Fuller Company

IN THE period of abnormal prosperity during the ten years preceding 1930 most businesses enjoyed both increased volume and satisfactory profits. It is not difficult to make a profit when volume is on the up-grade. A good deal, therefore, of this prosperity was attributable to expansion of business generally, rather than to the efficiency of individual managements.

As is inevitable when prosperity is of long duration (and this is so with nations and individuals, as well as businesses) extravagances and inefficiencies develop—businesses allow themselves indulgences of all sorts that are insidious in their effect upon continued efficiency.

Taking stock of extravagance

WHEN times of adversity arise, business begins to take stock of itself, and to realize to what extent extravagances and inefficiencies have developed. That is what is going on in the department store field today and the picture is not as pleasant and not as complimentary to managements as it should be.

During the years of expanding business, department store managements developed highly specialized organizations. Responsibility was widely distributed. Where years ago a large department store was merchandised by one man, the general merchandise manager, today this merchandising chief usually has from six to eight divisional merchandising assistants, each supervising a kindred group of departments.

These divisional merchandise men do the actual merchandising, while the general merchandise manager coordinates their activities and, subject to management, dominates the merchandising policy.

I do not believe that this structural merchandising organization is incorrect; in fact I thoroughly approve of it, but I believe that these merchandising organizations have not functioned as efficiently as they should. If this is so, then management must make it plain to them that it requires the

highest degree of efficiency, with no alibis, otherwise a decided contraction of merchandising organization will be necessary. Management must make it clear to the merchandising organization that it owes a greater obligation to its stockholders than to any individual in its organization and that, therefore, it must be more impersonal than ever before in measuring efficiency, both collective and individual. I do not believe that department store managements have been impersonal in the past, and I further believe that this has resulted in many instances in a feeling of unwarranted security on the part of individuals.

Merchandising is, of course, the basic activity of a department store. The merchandising staffs and buying staffs represent from three to four per cent of the sales volume—and yet it is here that the least efficiency has been achieved.

Proof of this statement is seen in the fact that mark-downs represent anywhere from six to twelve per cent of the sales of the individual store. A large portion of these are due to poor buying and poorer merchandising. Increased profits in department stores must come from minimized mark-downs in the future, not from greater initial mark-ups. The merchandising staffs in department stores are, therefore, on trial. If they are to justify their existence they must show an efficiency far exceeding past performance.

Science needed in selling

PERSONALLY, I believe that the scientific control of merchandising, which is so essential to the performance of a good job, has been injected into the merchandising staff from the controller's office. The reason is that most merchandise men today have developed from buying positions. While the average buyer has the practical background needed for a merchandising position he usually lacks management viewpoint and the ability to analyze figures minutely, absorb the significance of those figures and apply that knowledge.

I refer particularly to the merchandise man of the old school. The newer type must combine all of these qualities and I know of several who represent this composite picture and who are doing a scientific and intensive merchandising job.

The great promotion problem in department stores today is: Should volume be maintained at the expense of profit or should profit be maintained at the expense of volume?

This problem naturally is the result of falling commodity prices and decreasing demand.

While it is true that profit is the primary purpose of a department store, it is also true that, if volume slips too much, organization must be contracted to an extent which will be detrimental when economic conditions change and business is on the up-grade again. When this time comes, the organization that has maintained a high degree of efficiency will forge ahead of its less efficient competitor.

Extremes are costly

INCIDENTALLY, in my estimation, the problem of balancing organization needs careful study by management today. While it may be true that most stores overdeveloped their organization before the stock market crash, there is great danger that management today may go to the other extreme, thus sacrificing efficiency. Overlapping of activity results from overorganization, but underorganization spreads out responsibilities so widely that effort becomes thin and inefficient. Both extremes are costly.

Volume decrease, therefore, beyond a certain point, is dangerous. An aggressive merchandising policy is necessary and yet such a policy must be developed without sacrificing profit excessively. This brings me back to the importance and necessity of efficient merchandising.

In the institution with which I am connected, our mark-downs in 1931 were excessive and our sales promotion was intensive. We, however, have con-



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and Domestic Bliss,
Says Famous Author

"Lastly," says Robert Louis Stevenson, giving his rules for a happy marriage, "no woman should marry a man who does not smoke." And the words which follow indicate that by smoking Stevenson means smoking a pipe.

For here is how he continues: "Whatever keeps a man in the front garden, whatever checks wandering fancy and all inordinate ambition, whatever makes for lounging and contentment, makes just so surely for domestic happiness."

Not all smoking makes for "lounging and contentment." There is the quick, nervous smoke which is the characteristic reaction of our too speedy modern life. It has its place, but it is a part of our nervous strain, not an antidote to it.

The pipe is long and slow and placid. The pipe soothes and relaxes and charms. The pipe sends out those cloudlike wreaths in which the eyes of affection picture the faces of loved ones and the visions of peace.

Every smoker wonders at one time or another if he would find a new satisfaction in the calmness of a good pipe. If you've wondered about that too, you'll find the answer to your question in the very genuine affection every pipe-smoker feels for his pipe.

Take Stevenson's advice. Relax, enjoy life more, live longer—with a pipe. But remember that your enjoyment of a pipe depends almost wholly upon the tobacco you use. Why not start right—with Edgeworth Smoking Tobacco? Men who have smoked Edgeworth for as long as twenty years say that it's a cool, slow-burning smoke that never bites the tongue. Probably it's that special Edgeworth blend of fine old burleys with its natural savor insured by a distinctive and exclusive eleventh process.

Your name and address, sent to Larus & Brother Co. at 119 S. 22d St., Richmond, Va., will bring you a trial packet of Edgeworth. If you get the smoking enjoyment out of it that most men do, you can be sure of finding the same fine quality in the Edgeworth you buy at any tobacco store, for Edgeworth quality is always the same.

You can buy it in two forms—Edgeworth Ready-Rubbed and Edgeworth Plug Slice. All sizes from the 15-cent pocket package to the pound humidor tin. Some sizes come in vacuum tins. Don't miss Edgeworth's weekly radio treat! Every Thursday evening at eight o'clock, Eastern Daylight Time. Edgeworth offers for your entertainment a novel program without a dull moment. The Program is broadcast over a network of radio stations of the National Broadcasting Company. Make a mental note *right now* to tune in on the Edgeworth program Thursday evening.

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cluded that the excessive mark-downs were due to inefficiency in merchandising, in certain sections of our institution, rather than to the aggressive sales policy. I feel confident that the management of most stores, upon scrutinizing their own situation carefully, will find a similar picture.

Of course there are other channels of store activity, where waste, inefficiency, extravagant and loose operation can be minimized. Unnecessary expenditures for fixtures should be eliminated. Large cash surpluses made it easy for stores to spend money beyond the point of sane judgment. The efficiency of the great body of employees must be increased, for nothing is more costly to any business than inefficient selling. Finally, much unnecessary money can be saved by judicious expenditure for publicity. However, it is in the field of merchandising that the great possibility lies for increased earnings through more efficiency—and I am satisfied that it is

there that the department store management must place the greatest emphasis in its demand for better results from its executive staff.

Never was management needed more than now. The most essential characteristic of management is organization, and the organization must be such that management can distribute enough responsibility and authority upon it to maintain the balance and perspective necessary to make such weighty decisions as are thrust upon it today. The three main responsibilities of management should be:

First, the safeguarding of the financial stability of the institution.

Second, the domination of policy.

Third, the complete coordination in all divisions of the organization.

Such a relationship between management and the organization will permit it to have perspective and yet be close enough to the operation to apply intensively the result of its deliberations.

Confessions of a Capitalist

(Continued from page 44)

a five per cent discount on a prospective customer's account, especially when one is told that all one's competitors give it and that without it the account will not be opened. Given the chance for a \$500 order at one's advertised price, subject only to five per cent discount, it takes a courageous business man to throw away \$475 for the sake of the principle involved. Yet if business is to be sound and honest that must be done.

It is essential to be fair to one's customers. If your price for a given article is \$500 and you sell to one customer at that price and then, because the next is a better bargainer, you let him have the same article for \$475, you are surely wronging the first man.

I suppose there is no more dreadful secret associated with the conduct of business than what is called the "Capital Account." It is in capital arrangement and manipulation that the making of fortunes largely consists. As I have done my share in this connection, it is proper that, in discussing business secrets, I should have something to say about the handling of stocks and good will.

The many operations on capital account are illustrated in the way I recently handled the purchase and sale of a printing and publishing company.

This business was established in 1864 by a group of men interested in the then new science of electrical telegraphy.

Their object was to publish a newspaper dealing with that science. As electricity became more generally applied, the paper became a leading authority on electrical matters. The original interest gradually disappeared and, in 1898, the journal became the sole property of a man who enlarged on the original idea. He added department upon department.

A motley organization

WHEN the company attracted my attention, it was employing about 250 people and operating a printing plant, an advertising agency, a wholesale stationers business, and several publications. It had a turnover of about \$125,000 a year and was making almost no profit. I had for years coveted this electrical journal. I kept in touch with the owner.

I had no desire for the printing works and the other activities and my negotiations were confined to the purchase of the electrical journal. In 1914 the owner died.

The executor of the estate would consider nothing short of the sale in one lot of all the concern's interests. I had, therefore, to purchase a tangled miscellany of enterprises and unravel from it the particular one I desired. The price was \$60,000. The price which had been discussed between the owner and myself for the newspaper alone was

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\$25,000. I could manage the latter figure but not the former. After much negotiation I bought the business with \$25,000 which I borrowed from the bank and \$35,000 put up by my friends.

Then began a long process of reorganization and reconstruction. My financial reward was considerable and everyone associated with the enterprise also benefited. For the previous six years the business had produced dividends ranging from 3.5 to 1.25 per cent on a small capital. The annual profits of the two enterprises into which I split this concern equal the whole of the capital of the company under the old management. The previous small profits accompanied the lowest wages and the worst conditions that I have ever seen. My larger profits are associated with wages and conditions which, I take pride in thinking, are a little in advance of the comparatively high standard of these days.

Change brought more profit

MY first act was to take over at once all the editorial and advertising members of the staff and run the weekly publications and the technical books as part of my own business. The effect was immediate and astonishing.

I then turned my attention to the printing establishment and other activities. I found associated with the concern a couple of men in executive positions who were working for small salaries under bad conditions out of personal regard for the previous owner. They had no such regard for me. My appearance as chief proprietor gave them opportunity to develop ambitions and abilities for which there had been no scope. Part of the business which I did not want was formed into a separate company and sold to its two managers.

As a result of this manipulation an old-fashioned business on the verge of bankruptcy has been transformed into two flourishing separate concerns.

So far as I am concerned—and this is a piece of iniquity on which the theorists would focus their attention to the exclusion of everything else—I came out of the deal with an addition to my capital of \$15,000 or \$25,000 which, however, is not really capital at all, but my commission for having been the agent of this transaction.

But I am searching for business secrets. It is commonly supposed that business is one maze of secrets; a supposition that is largely false. Thus, a very important secret of success in business rests in understanding employing.

The objection to the employer has its

roots in the fact that he has the power to end employment. The secret of employing successfully lies in a proper appreciation of this right. Too few employers take their privilege seriously enough. Many of them, indeed, fail to grasp the fact that they are employers at all. A man will set up as a manufacturer of furniture and his mind, absorbed in the technicalities of his trade, ignores the fact that his function is not only to manufacture furniture but to employ people. He should regard his duty as an employer so seriously as to feel compelled to obtain the amount of work for which his employees naturally look to him. Some day we shall produce a class of employer which will rid the rest of the community of the uncertainty now supposed to be inseparably associated with what are known as booms and depressions.

The employer, who is an employer, will see in time that his function is not only to make furniture but to make trade—a no less possible process.

However that may be, there is no secret which should be more earnestly regarded by every employer than the proper exercise of this right of discharging the employed.

Controlling, as I do, a fairly large staff, it is impossible for me to have a personal knowledge of the qualities and capabilities of every worker. But I reserve to myself alone the right of appointment and the right of discharge.

Employment is stabilized

I HAVE it to my credit that I have never discharged any employee solely because of bad trade. If things are slow in one department, they are probably active in another, and, in any case, my duty as a business man is to prevent business from being slack.

In my business, as I think in most businesses, there is to be found that security from unemployment which is so much talked about and so much sought after. It is, as it must always be, the reward of serious service. Equally, therefore, in theory, there can never be any unemployment for those who are willing to render such service. The great trouble, which we are not as a people really willing to recognize, is the insecurity of inefficiency. It is that trouble which drives so many workers to think well of schemes like nationalization, which appear to provide security with no apparent regard for efficiency.

(This is the fourth of a series of articles by a well-known business man. The series will end and the author's name will be announced in an early issue.)

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On the Business Bookshelf

PROFESSOR Gregory's "The Gold Standard and Its Future" is a brief exposition of the international gold position of the last few years. He argues that the depression is not due to a shortage of gold, for the economic progress between 1925 and 1929 did take place on a gold basis. Furthermore, he says, "no change in the supply of gold has since taken place sufficient to explain the altered circumstances" since 1929.

He sees the world at present divided financially into two camps: gold standard countries, and paper money countries. He gives little encouragement to permanent systems of paper money.

"A PRIMER of Money," is just that. At least it very well deserves the title of primer and its 200-odd pages are devoted to money, and bank credit and banking which are closely related. It certainly is not the average text on the subject. The authors say "we earnestly hope for the scorn of pedants. If this book does not seem to them shamelessly bare of the ceremonious vocabulary of economics and shockingly rough and ready—why, then, the book is no good."

To give a better idea of the content of the book, let's quote a paragraph on interest:

The whole modern structure of finance rests upon interest as one of its corner stones and would collapse without it. Its modern refinements sometimes seem bewildering, but there are only two essentials to bear in mind: first, interest is a charge for the use of money; second, the rate of charge varies according to the law of supply and demand and according to the risk the lender takes—he will take longer chances of getting his money back if he is promised more for its use. Economic theorists argue over finespun definitions of interest, but this is the general concept.

In the second section of the book there is discussion of modern problems of money. First the authors quote two "Great Illusions":

"1. A dollar is always a dollar; its value never changes.

"2. Money is wealth."

Both are untrue for the value of a

¹The Gold Standard and Its Future, by T. E. Gregory. E. P. Dutton & Co., Inc., New York, \$1.50.

²A Primer of Money, by Donald B. Woodward and Marc A. Rose. Whittlesey House of McGraw-Hill Book Company, New York, \$2.00.

dollar changes in accordance with the law of supply and demand. Money is not wealth, it is only the medium of exchange and therefore can be exchanged for wealth.

As a whole the book is well worth reading. It is especially intended for those who are uneducated economically concerning money. And it is a splendid example of a class of economic books in ABC terms that we have been wishing some one would write.

♦ THAT the cost of living declined during 1931 is not news, but the extent of the decline is. At the close of 1931, according to the National Industrial Conference Board,³ the cost of living for wage earners was 10.3 per cent below the cost at the close of 1930 and 17.0 per cent lower than in December, 1929. The food component for the same periods declined 16.7 and 27.7 per cent. Rents were down 9.5 and 14.4 per cent. Clothing prices dropped 13.6 and 19.5 per cent. Fuel and light costs decreased 2.8 and 4.3 per cent. The cost of sundries was 3.3 and 4.0 per cent lower.

As compared with the depression of 1921, the price declines have been low. One year after the downward movement began in 1920, the cost of living index had dropped 18.0 per cent, the first year of the present decline in prices was 6.1 per cent. The turning point in the prior depression was reached at the end of 20 months when the index had declined 22.0 per cent. In the present depression, 20 months brought a decline of only 15.0 per cent. In December, 1931, the twenty-sixth month of the decline in prices, living costs had fallen 17.7 per cent.

The present report of the Conference Board is intended as a supplement to "The Cost of Living in the United States, 1914-1930" but if only a short-term study of the cost of living is needed, it may be considered as complete in itself.

♦ WE are living in a machine age. It is not our place to fight this machine age, but rather to make our lives harmonize with it, contends Edward A. Filene, a successful Boston merchant, in "Successful Living in This Machine Age."

³Cost of Living in the United States in 1931. National Industrial Conference Board, Inc., New York, \$1.

Even if we wish to fight this age, we cannot do it successfully.

The theme of the book is the benefit of mass production and the ways in which we can live better by utilizing it to the utmost. Mass production, says Mr. Filene, is the first method of obtaining high wages and low costs. Waste must be eliminated at every point.

"The only right one has in business rests upon his ability to get things to people at a lower and lower cost, coupled with his ability so to distribute buying power that the consumer's dollar will be left not only unimpaired but unthreatened."

Business, he says, has muddled along doing things remarkably well, but not having a clear conception of its purpose. "The purpose of business, however, is now becoming clear. It is to get things to the consumer—to fill as many of his wants as possible with the least possible strain upon his dollar."

This new concept of business, beginning roughly 15 years ago, and not thoroughly understood and adopted yet, promises more for the masses than they have ever obtained before.

♦ "AN analysis of bonus problems—yesterday, today, and tomorrow" is the subtitle of Knowlton Durham's new book, "Billions for Veterans."⁴

The first part of Mr. Durham's book tells of the scandals connected with the disbursements to Civil War veterans. Lobbying organizations for veterans of the World War were able to start in where the G. A. R. had left off after years of legislative effort.

Although deaths on the Union side of the Civil War were greater in number than the total American casualties in the World War, the veteran cost up to the end of 1931 was nearly as large as the veteran cost of the Civil War up to the same date. And the disbursements to veterans of the World War gives promise of reaching 50 or 100 billion dollars when the total cost is reckoned up. "Billions for Veterans" concludes

⁴Successful Living in This Machine Age, by Edward A. Filene in collaboration with Charles W. Wood. Simon and Schuster, New York, \$2.50.

⁵Billions for Veterans, by Knowlton Durham. Brewer, Warren & Putnam, New York, \$1.25.

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with a chapter on the likely effect of present payment of the bonus in full.

AN interesting narrative, answering many of the questions we all like to know about metals is "The Book of Metals," by Donald Wilhelm.

The old stories of iron and copper, the new and romantic stories of steel, aluminum, and alloys, and the precious metals, make the book both interesting and informative.

AN interesting story of the growth of our corporations is "Concentration of Control in American Industry," by Harry W. Laidler, executive director of the League for Industrial Democracy.

Whether five companies doing 80 per cent of the business of an industry is undue concentration or merely sufficient size for economical competition is an unsettled question. There has been certainly a trend toward larger size, but many small businesses are still going strong. Only the future can say which will win out or whether they both will continue each doing its own work.

"The Book of Metals, by Donald Wilhelm. Harper & Brothers, New York, \$4.

"Concentration of Control in American Industry, by Harry W. Laidler. Thomas Y. Crowell Company, New York, \$3.75.

Annual Census Wanted

PROTESTING that the present biennial census of manufactures is of value primarily to the student of economics and the labor movements rather than to manufacturing interests, Thomas W. Howard, director of Uniform Accounting in the National Electrical Manufacturers Association, advocates a simplified annual census with more detailed censuses at five or ten year intervals.

The simplified annual census would have several advantages. The information could be made available in time to be of use to industry. From the standpoint of the manufacturer, the simplified annual census would be less expensive, for it would require only information that could be obtained from his records without costly clerical work.

The completed report of the 1929 census of the electrical industry was not available until January, 1932. To a manufacturer, such a report is all but valueless. Much of the blame for the delayed publication is laid at the door

of the manufacturers, but, Mr. Howard contends, this is due to the vast amount of information required and to the fact that much of the information wanted is not readily revealed by the records of the manufacturer.

The proposed annual census would cover only the quantity and value of output and the number employed. A census every five years, or even a decennial census, would be ample to show the broad trends which economists want to study.

Precedent for such a census is at hand in the annual census of production in the farm machinery industry. This information is available in time to be of use to the manufacturers.

Statement of Ownership

STATEMENT of the Ownership, Management, Circulation, etc., required by the Act of Congress of August 24, 1912, of Nation's Business, published monthly at Greenwich, Conn., and Washington, D. C., for April 1, 1932.

City of Washington, County of District of Columbia, ss. Before me, a Notary Public in and for the State and county aforesaid, personally appeared Merle Thorpe, who, having been duly sworn according to law, deposes and says that he is the Editor of Nation's Business and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business manager are: Publisher, Chamber of Commerce of the U. S., Washington, D. C.; Editor, Merle Thorpe, Washington, D. C.; Managing Editor, J. W. Bishop, Washington, D. C.; Business Manager, J. B. Wycokoff, Washington, D. C.

2. That the owner is: Chamber of Commerce of the United States of America, said body being an incorporated organization under the laws of the District of Columbia, its activities being governed by a Board of Directors. The officers are as follows:

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MERLE THORPE
(Signature of editor.)

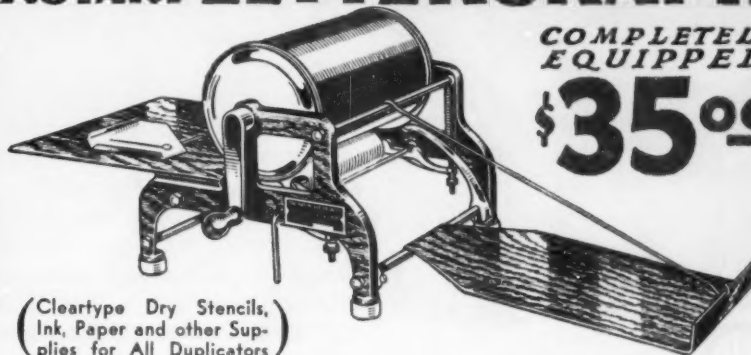
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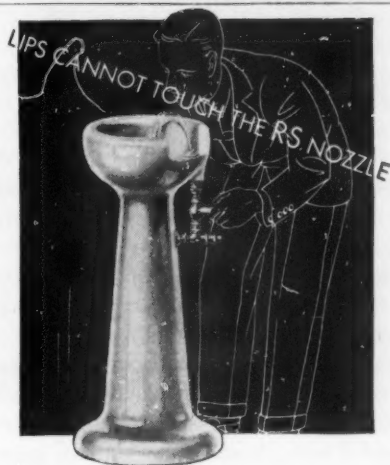
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What Price Indices Don't Show

By EMMET D. BORDEN

Manager, Department of Domestic Distribution, U. S. Chamber of Commerce

SINCE prices indicate and measure market conditions, the price index, showing changes in prices, price levels and price trends, is an important tool of business. It provides—or should provide—the business man with facts concerning past price changes and current trends, presented in such a way as to indicate future changes. The need for accuracy and proper interpretation of such indices is obvious, yet there is current just now wide criticism of present price indices, both wholesale and retail, on these and other grounds.

These criticisms are summed up in a recent report by Dr. Paul H. Nystrom, professor of marketing at Columbia University.

Indices have many errors

BOTH the wholesale and retail price indices, Dr. Nystrom says, are believed by many to contain serious errors. Price quotations used in compiling the averages are often from secondary sources hastily put together. Published prices, moreover, do not usually reveal all details of business transactions. Other criticisms are made on the score of the slowness of issue of indices; the undue weight some indices give to prices of raw materials and commodities semi-processed; the inadequacy of certain "cost of living" indices which represent price changes only on commodities bought by people with rather low incomes; the misuse of a certain retail index whose changes and trends are frequently compared with those of a wholesale index, although the two are not comparable in any way; the limited number of items included; and the fact that most indices show merely averages.

Dr. Nystrom has long been interested in price indices but the immediate reason for the study on which his report was based was the recurring charge that retail prices have not declined in proportion to wholesale prices.

Several prominent merchants were attending a meeting in Washington when a manufacturers' association made this charge. The merchants were indignant. They declared that they were convinced that retailers were adjusting their prices to wholesale prices as rapidly as the

usual lag permitted. When they sought statistics to prove their case, however, they could not find them. Neither could they find any support for the manufacturers' charge.

The problem of the retailers

SOME of the group were members of the advisory committee of the Domestic Distribution Department of the United States Chamber of Commerce. Dr. Nystrom is also a member of this committee. The retailers laid their problem before him, and the study on which his report is based resulted. Discussing this particular phase of the price index problem, Dr. Nystrom's report says:

"In a period of rapidly declining prices, there is a widespread tendency to jump at the conclusion that retailers are holding up prices and preventing prompt economic adjustment. At the same time, the same lag occurring during periods of rising prices is forgotten. Both conditions are natural and orderly. The variations are due, in part, to the differences in commodities listed in the wholesale and retail indices. Manufactured goods enter more largely into retail price indices than into wholesale; the prices of manufactured goods are usually more stable than those of raw materials.

Retail prices change slowly

"RETAILERS' prices are determined to a considerable extent by the amount and variety of stocks on hand. Retailers are prone to sell or try to sell at old prices, both during rising and falling price periods, until they replenish their stocks. It may be noted that retailers' prices, notwithstanding the retail indices, now probably follow wholesale price levels more closely than in former years. That is a natural result of present methods of retail buying. Furthermore, a 20 per cent drop in wholesale prices could not possibly be accompanied by an equal drop in prices at retail without an equal drop in retail expenses that make up from 20 to 40 per cent of retail prices.

"The methods used in compiling price information for the indices are strongly responsible for the wide variations be-



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tween the wholesale and retail price indices. For example, how can a retail index properly show price declines in a period of rapidly falling prices when all special sales prices are disbarred?"

Another confusing factor, the report points out, is an unfortunate use of terms:

"The term, 'wholesale' prices, as used in connection with present business indices is misleading. Wholesale prices do not mean wholesalers' prices and the term, as used in connection with present price indices, leads to confusion both in use and interpretation. Wholesale price indices are usually based on prices of raw materials, of producers' commodities and of merchandise bought for reproduction as well as for resale. Among the price quotations usually included in wholesale price indices one may find those of raw materials sold at first hand, semi-processed goods sold by one producer to another, all sorts of commodities sold through commodity exchanges, and so on.

"Wholesale price indices, as at present constituted, are based on prices of producers, manufacturers, brokers, commission men and a number of other kinds of traders. Actual wholesalers' transactions make up less than half the total.

"There cannot be the same confusion over the meaning and use of retail price indices. They are usually based on quotations on goods sold for ultimate consumption.

"There is a growing necessity for accurate, representative price indices. They are needed increasingly by business organizations and individual business executives. They are essential to banks and financial institutions. Social legislation, present and future, must depend for sound administration on accurate facts as to market and business conditions."

Official index wanted

DR. NYSTROM, recognizing these facts and the importance of remedying obvious weaknesses in existing indices, makes certain suggestions. One of the most obvious needs, he says, is a complete system of accurate, adequate, effective and representative *official* price indices.

More important still, he adds, is the need for prompt, speedy publication of official indices. (Release of wholesale prices on a weekly basis was started by the Bureau of Labor Statistics in January.)

He further suggests provisions to insure that indices shall represent actual

market conditions and actual prices; sales of goods of active, present, general use; transactions occurring in all common avenues of trade—including chain stores, house-to-house selling, mail-order houses, auctions of farm products, special sales, and so on—weighted according to proportion of business done.

A reclassification of items and commodities is needed in general price indices, Dr. Nystrom continues. In the wholesale price indices there should be separate indices for producers' raw materials, consumers' raw materials sold at primary markets, manufacturers' prices, and wholesalers' prices. Further, the items should again be reclassified to show changes in domestic, export and import prices.

Indices for various groups

PROVISION should also be made for an official series of retail price indices to include farm products at retail, manufactured goods at retail, prices of personal services purchased by consumers—these items to be again reclassified to show price changes by items and groups of commodities and, if possible, by geographical areas.

Wholesale and retail price indices particularly should show accurately and adequately price changes in clothing, furniture, home furnishings and automobiles. Data of this type need to be collected from a greater number of lines and communities to insure a fair sampling.

Finally, a new and comprehensive study of costs of living of representative numbers of people throughout the country should be made. The last such study was for the years 1918-19, and despite changes in standards of living the present cost-of-living index is based on those figures.

In this new cost-of-living study, information should be obtained concerning the national requirements of people at various standards of living as determined by their incomes, size of family, geographical differences and skill in management.

There is definite demand and need, Dr. Nystrom's report concludes, for a set of comparable wholesale and retail price indices, compiled on the same or similar products at about the same time, showing the price trends both in the primary and retail markets. Certainly this information is needed in order to check and evaluate the relative progress made in price adjustments in these two fields. Such a comparison is impossible now.

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One would not consider withdrawing his son or daughter from school in the middle of the term, nor would any other procedure which violated the principle of continuity be even considered.

In times like these it is well to remember that your market, or pupils, react to diminished educational efforts on your part in the same way and to the same extent as does a pupil withdrawn from the educational influence of his school.

Finally, your competitors may seize the opportunity presented by your silence to teach your market a new doctrine.

FRANK T. HESS, *Manager*
Wood Office Furniture Associates, Inc.